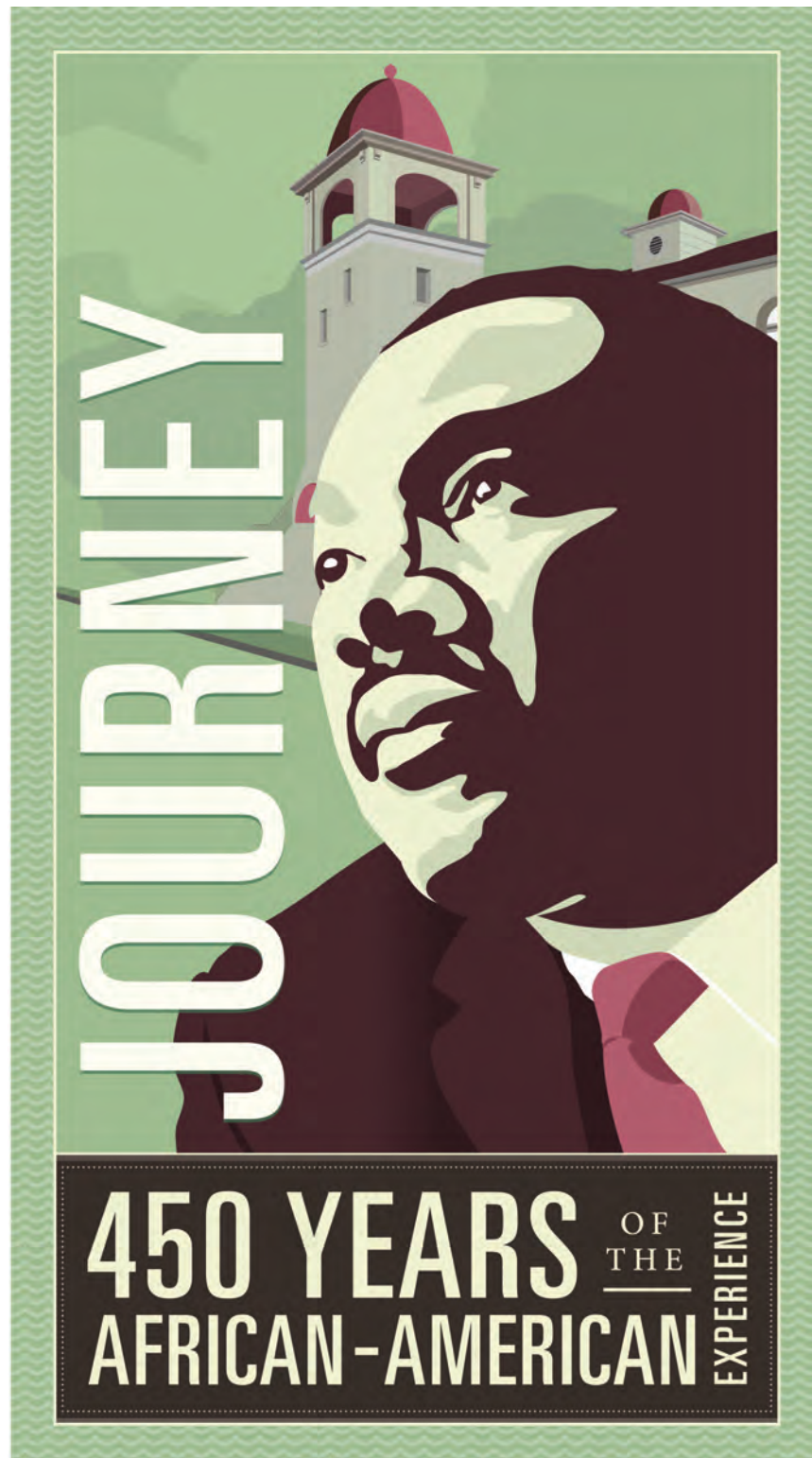


COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2013



CITY OF ST. AUGUSTINE, FLORIDA



Commemorating the beginnings of the American culture, the genesis of the African-American experience, St. Augustine celebrates its 450th anniversary as the oldest, continuously occupied European settlement in the continental United States.

In 1738, Fort Mose (Moh-Say) was founded by the Spanish governor and became the first legally sanctioned free African settlement in the United States. Fort Mose was one of the original sites of the Underground Railroad over 100 years before the Civil War.

Frederick Douglass was an abolitionist leader born into slavery. After escaping slavery, in his early 20s, he became an eloquent speaker and writer, describing his life in slavery as well as life during and after the Civil War. In 1889, he spoke to the public in St. Augustine.

In 1964, events in the historic city of St. Augustine, including sit-ins, protest marches, and nightly demonstrations, captured the attention of the nation and the world; becoming the catalyst for the passage of the Civil Rights Act on July 2 of that year.

City of St. Augustine, Florida

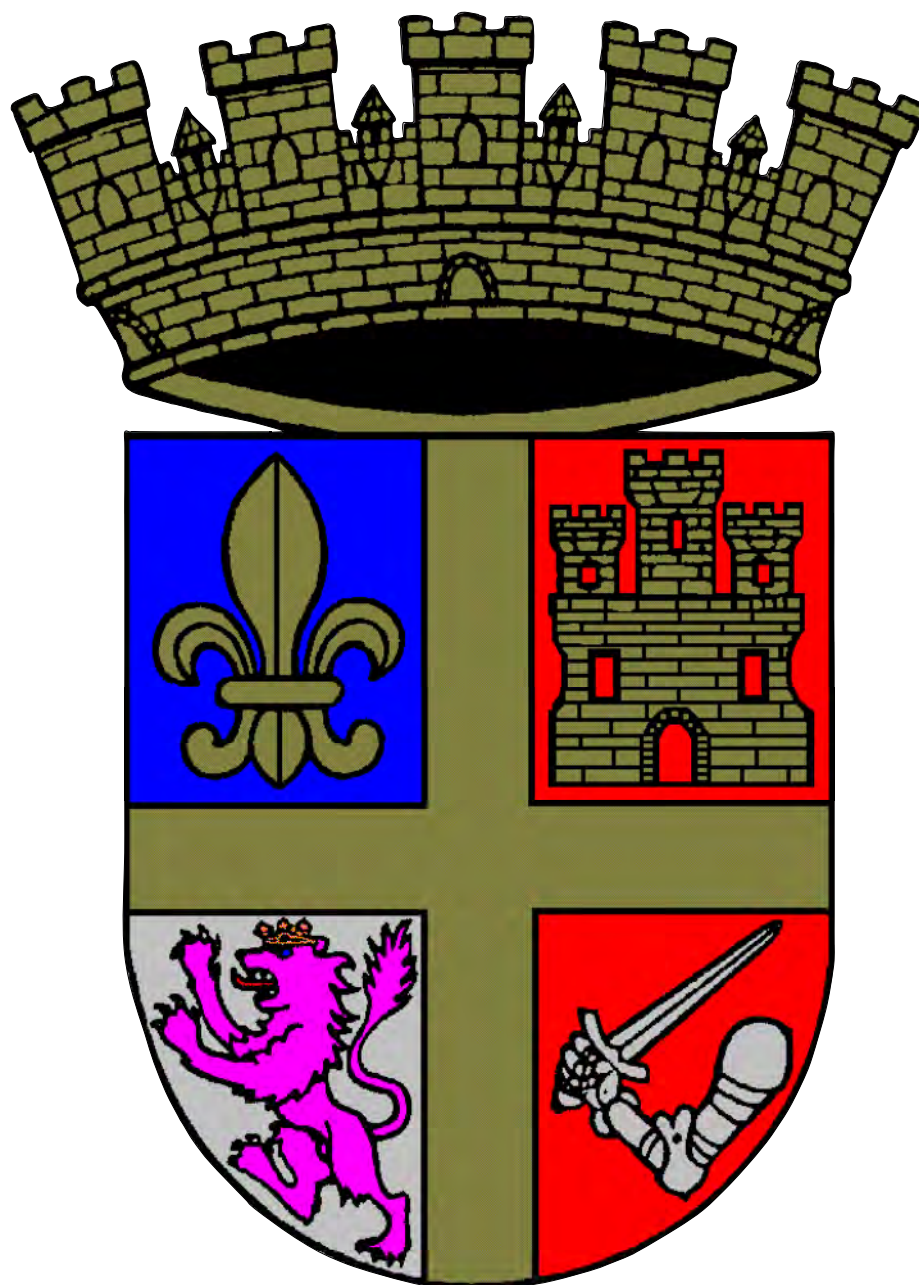
Comprehensive Annual Financial Report Fiscal Year Ended September 30, 2013

Prepared By:

Finance, Budget and Management Department

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Financial Services Group Manager



CITY OF ST. AUGUSTINE, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended September 30, 2013

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INTRODUCTORY SECTION

This Section Contains the Following:

Letter of Transmittal

Certificate of Achievement

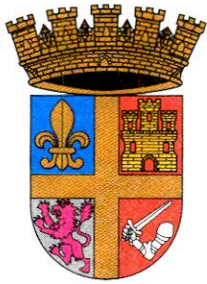
Principal City Officials

Organizational Chart

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Letter of Transmittal

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City of St. Augustine



St. Augustine, Florida

Finance, Budget & Management

March 28, 2014

Honorable Mayor and Commissioners
City of St. Augustine, Florida

Mayor and Commissioners:

The Comprehensive Annual Financial Report of the City of St. Augustine, Florida, for the fiscal year ended September 30, 2013, is submitted herewith, pursuant to Florida Statutes Chapter 166.241 (4) and Chapter 10.550 of the Rules of the Auditor General of the State of Florida. This Comprehensive Annual Financial Report was prepared by the staff of the City's Finance, Budget and Management Department and, therefore, responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the data, as presented, is accurate in all material aspects, that it is presented in a manner designed to fairly set forth the financial position and results of activity of its various funds, and that all disclosures necessary to enable the readers to gain the maximum understanding of the City's financial activity have been included.

The City is responsible for establishing and maintaining internal controls to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition, the reliability of financial records for preparing financial statements, and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits. The evaluation of this relationship is a responsibility of City management. We believe these controls adequately safeguard City assets, as well as provide reasonable assurance for properly recording transactions.

The independent accounting firm of Masters, Smith & Wisby, P.A., whose report is included herein, has audited the City's financial statements. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used, and significant estimates made, by City management and evaluating the overall financial statement presentation. Based upon the audit, Masters, Smith & Wisby, P.A. concluded there is a reasonable basis for rendering an unqualified opinion that the City's financial statements are fairly presented in conformity with accounting principles generally accepted in the United States of America.

GOVERNMENT PROFILE

Often called the City of the Centuries because of its antiquity, St. Augustine was founded by Spain in 1565 and is the oldest continuously occupied settlement of European origin in what is now the United States. The City was founded 55 years before the Pilgrims landed at Plymouth Rock and was already two centuries old at the time of the American Revolution.

Four flags have flown over St. Augustine: Spanish, British, Confederate, and American. For nearly two centuries (1565-1763), St. Augustine was a Spanish possession. This 200-year period is referred to as the First Spanish Period. Britain obtained possession of Florida and St. Augustine in 1763 for 20 years (1763-1783). This period included the American Revolution and is known as the British Period. Spain regained and maintained possession of St. Augustine and the rest of Florida in 1784 until Florida became a possession of the United States in 1821, this is known as the second Spanish Period.

Florida, with St. Augustine as the capital of East Florida, maintained its territorial status until 1845 when it was admitted to the United States as the 27th state. St. Augustine was briefly under the Confederate flag when Florida seceded from the Union in 1861, but the City was captured by Union forces early during the War Between the States and was occupied during most of the hostilities.

During its earliest years, St. Augustine was a collection of palm thatch huts. These gave way to board-sided houses with thatched roofs in the 17th century. After the town was burned in 1702 during an attack by Carolinians, the populace erected temporary straw or thatch shelters until they could build with more permanent materials such as tabby, the colonial equivalent of modern concrete, or coquina, a native shell stone quarried on Anastasia Island across the Matanzas River.

Many of the City's colonial structures have been carefully preserved and restored, and there is a continuing program to restore and reconstruct other buildings on their original foundations. Historic sites, buildings, and St. Augustine's old world charm are found throughout the colonial city. A number of groups, both private and governmental, have and continue to pursue active roles in the restoration, preservation and interpretation of St. Augustine's history.

Today, the City of St. Augustine is a full-service municipality located within the boundaries of St. Johns County. The City derives its government authority from a charter granted by the legislature of the State of Florida. The City operates under a City Manager form of government. Five commission members, including the mayor, are elected at large on a non-partisan basis. Four of the seats are staggered four-year terms with the mayor's seat elected every two years. The City Commission appoints the City Manager who directs the business of the City and its various departments. The City Commission determines policy, adopts legislation, approves the budget, sets taxes and appoints the City Attorney, the City Clerk and members of various boards and committees.

City of St. Augustine, Florida
Letter of Transmittal

The City budget process begins in May and concludes in September with two public hearings. The budgets are prepared by each department and submitted to the budget committee for review. The budgets are then balanced and approved by the legal governing body. The General Fund, Special Revenue Fund and all Proprietary Funds have legally adopted annual budgets. The legal level of budgetary control is at the fund level without approval of the governing body. Actual spending, however, can exceed the appropriated amount of the fund to the extent revenues exceed the fund's budget.

ECONOMIC CONDITIONS AND OUTLOOK

The City of St. Augustine is located within St. Johns County on the northeast coast of Florida. The City's limited economy is concentrated in tourism, although major employers provide some diversification and security. A four-year liberal arts college, the State Headquarters of the Florida National Guard, and the Florida State School for the Deaf and the Blind contribute greatly to a stable economy.

Founded by the Spanish 448 years ago, St. Augustine's historical and resort attractions draw millions of visitors every year. Tourism is responsible for over \$700 million annually and 11,350 jobs for St. Johns County. It is estimated over 3 million tourists visit St. Johns County annually with St. Augustine being the principal attraction. St. Johns County estimates that many of these people visit and return home the same day. This type of tourism, short-term and daily visitors, is less affected by downturns in the economy and may even see an increase as people avoid popular high-priced venues.

As predicted, the City's ad valorem tax revenues have stabilized and minimal growth is being seen in the 2013-2014 fiscal year. This growth has been due to new construction and renovation activity. For 2013, the City's total taxable value is \$1,116,293,626. This is an increase of 3.87% over last year's adjusted taxable value.

MAJOR INITIATIVES/PROGRAMS

Management's purpose is to continue to provide the same or an improved level of service while managing future growth through sound fiscal management, being cognizant of limited financial resources. Prudent budgeting and cash management has enabled the City to meet emerging infrastructure needs while maintaining services provided to its constituency.

Visioning Initiative

In the fall of 2013, the City Commission launched a visioning initiative called, *2014 & Beyond*, led by a 15-member steering committee, chaired by a City Commissioner and guided by a professional facilitator. This community-wide vision plan will involve members of the community, businesses and government entities. The City has made a number of resources available to the committee including previous visioning efforts and strategic studies. Phase 1 of

the initiative will develop a plan of action that will inaugurate the program. Their initial workshop is scheduled for spring 2014.

The St. Augustine 450th Commemoration

The St. Augustine 450th Commemoration began its three-year linear run (2013–2015) in February 2013 with the opening of *Picasso: Art & Arena*, an exhibition developed in collaboration with the Picasso Foundation/Casa Natal in Malaga, Spain. The show drew over 40,000 visitors through a paid-ticket system, free programs for St. Johns County schools, college students and faculty, and special events. Some 200 million media impressions were generated for Picasso through the 450th marketing and promotions partners, the Visitors and Conventions Bureau (VCB), the Tourist Development Council (TDC) and the St. Johns County Cultural Council.

The Picasso exhibition was in keeping with the general 450th strategy to achieve two overarching objectives: destination awareness in telling the important role St. Augustine played in the development of America, and economic development through sustainable tourism. Other 2013 events designed to meet these goals were the Ponce de Leon 500th Anniversary Commemorative event April 2 – 3, the U.S. Postal Service's unveiling of the 500th Commemorative 'La Florida' stamp, Florida's Cabinet meeting in St. Augustine, the gifting of Ponce de Leon's birthplace Baptismal Font to the City and the Cathedral Basilica from Santervas de Campos, Spain, a special Commemorative Mass in the Cathedral Basilica, and a large reenactment of the landing of Ponce de Leon.

Other events included the arrival of the El Galeon, a full scale replica of a 16th century galleon used by New World explorers like St. Augustine's founder Pedro Menendez, done in partnership with the Nao Victoria Foundation (NVF), Malaga, Spain, the later arrival of the NVF's Nao (in 2013, St. Augustine was established as the North American Homeport for both the NVF ships), the *Ancient City Mosaic* exhibition of 450 works of art and expressions of the City's history and culture, the Spanish Food & Wine Festival, Stanley Paris' historic voyage, the *New World in the Eyes of Explorers* exhibition, the *Ordinary People* exhibition, and the Mumford & Sons *Gentlemen of the Road Tour* concert.

Grammy award winning Mumford & Sons immediately elevated the visibility of St. Augustine worldwide after the band announced the City as a tour stop. Tickets for the event sold out in one day and hotels, motels, bed & breakfast inns and other lodgings were booked to capacity in a week. The very popular and successful event took place in what is historically the slowest time of St. Augustine's tourism season; economic impact from this event was profound.

Planning and program development continues for the signature years of 2014 and 2015 through the 450th offices. Collaborations with the Nao Victoria Foundation, the U.S. – Spain Council, the African-American 2014 Commemoration Advisory Council, the National Museum of the American Indian, the National Park Foundation, the American Latino Heritage Awareness

initiative, the 450th Federal Commission, “Viva Florida,” and “Visit Florida” among other agencies, institutions and organizations are underway.

Capital Improvements

Riberia Street Improvements

Both Phase 1 (King Street to Bridge Street) completed in FY2012 and Phase 2 (Bridge Street to Cerro Street) completed in FY2013 are open for traffic. This project has revitalized a struggling neighborhood with new businesses and a multitude of remodels underway. This project consisted of two-lane full-depth reconstruction, a new storm drainage system, curbs and gutters, sidewalks, and new water and sewer pipelines. A portion of the project was completed with Community Development Block Grant (CDBG) funding and EPA 319 stormwater quality discharge improvement program funding. This project includes a new stormwater ‘backbone’ system that can receive stormwater east to Martin Luther King Ave. Work is in progress to begin stormwater improvements from Riberia Street side streets like DeHaven Street and Duero Street, which would qualify for CDBG funds.

Galimore Swimming Pool

The City of St. Augustine has decided to remove the old pool at the Willie Galimore Center and replace it with a brand new community pool with five lap-lanes. The pool will be open each year from Memorial Day weekend through Labor Day and will be operated by the YMCA. Other improvements made to the Galimore Center include new lighting, a new floor, updates to the kitchen, two new windows facing the swimming pool, a new interior paint job, and finally some new acoustical panels placed on the walls to help with sound within the building. Still to come is an addition of a storage room, and a new and improved catering kitchen.

Utility Improvements

With proceeds from the 2011 Bond Issue, the City is concentrating on infrastructure repair and replacement; in particular the sewer collection and water distribution systems. The City installed close to two miles of water main replacements in 2011. Sewer system collection repairs/replacements to replace two major lift stations, located on Anastasia Island, were substantially completed with minor manhole refurbishments still underway. With these improvements, the City is reducing costs associated with treatment plant flows. Resources will also be focused towards neighborhood water main replacements in areas where old water mains are reaching service life and exhibiting water quality or water pressure issues. Designs are substantially complete and construction is soon to be underway in a number of streets in the Lincolnville, Lighthouse Park and Palmer Street areas. Additionally, the Bond will fund a new outfall for the reverse osmosis concentrate into the Sebastian River. Permits for the discharge were awarded and construction design

and permitting is currently underway/completed. Construction has been delayed from the end of FY2013 to FY2014 due to easement acquisition for the pipeline. The benefit of this project will allow moving the concentrate disposal from the Wastewater Treatment Plant and into a surface water body, thus reducing wastewater treatment flows by 300,000 gallons per day.

The City's refinance of the Water and Sewer Revenue Bonds, Series 2003 in December 2012 resulted in \$4,500,000 in new monies for certain capital improvements to the City's water and sewer system. These proceeds are being placed directly toward replacement of aging metal pipes in the distribution system in neighborhoods such as Fullerwood, Magnolia and Abbott Tract, which are some of the oldest neighborhoods in the City. These water main replacement projects began in 2013 and will continue through 2014.

The City continues an aggressive asset management program prioritizing infrastructure repairs, replacements and upgrades. According to the Annual Capacity Analysis Report, both water and wastewater treatment plants have sufficient capacity for the next decade, thus efforts are focused on rehabilitations to keep pace as equipment reaches its life cycle.

Improvements to the sewer collection and water transmission system continue under an on-going program of replacements and upgrades.

Lift station maintenance, to include improved motor controls and communications, continues to be a high priority as well as slip-lining aging sewers, thereby significantly extending life.

In addition to the capital improvement bonds, the City is utilizing operating, and renewal and replacement funding to manage smaller projects that help improve the maintenance and operability of the system. Projects include hydrant maintenance and flushing, valve assessment and exercising, and unidirectional flushing. These projects will improve the reliability of the system and keep the system flushed, reducing occurrences of sediment or color in the distribution system.

Sea Wall Project

The City's Avenida Menendez Seawall, located south of the Bridge of Lions, extends approximately 1,200 feet south of the City Marina to the National Guard Headquarters adjacent to St. Francis Street. The seawall is over 170 years old and has been damaged numerous times during Nor'easters and hurricane events. It is constructed of coquina and its ability to protect the City's bayfront from storms, flooding and high-tide events is compromised both by its design and degradation over the years.

Tropical Storm Faye's (2008) additional damage opened the door for qualification for the Federal Emergency Management Agency's (FEMA) Flood Mitigation Assistance Grant

program. This program allowed the agency to award a grant for the project to the Florida Department of Emergency Management (FDEM), who in turn made the funding available to the City in 2011. The City has been awarded \$4.743 million (75% matching grant) in federal funding to construct a new seawall located 12-feet water-ward of the existing wall, encapsulate and protect the historic structure, and construct a new 12-foot sidewalk promenade. Construction began in April 2012 and was completed by year-end 2013.

Municipal Marina Breakwater System

The St. Augustine Municipal Marina is located on the Atlantic Intracoastal Waterway, just south of the Bridge of Lions. Built in the early 1990s, the Marina has 85 berthing slips allocated to transient, short-term and long-term clients. Its floating dock design is warranted because of the constant tidal changes that commonly and routinely exceed five feet.

A major improvement completed in spring 2013 was the construction of a breakwater at the Marina. The main purpose of the breakwater is to protect the existing marina from Nor'easters and tropical storms. This system will help protect the docks from strong winds and tides. Additionally, it added 44 smaller slips to the Marina's inventory.

Additional Capital Improvements

The City's refinance of the Capital Improvement and Refunding Revenue Bonds, Series 2004 in February 2013 resulted in \$2,000,000 in new monies for various capital projects, including improvements to the Historic Downtown Parking Facility as well as other municipal capital improvement projects to City facilities and infrastructure. Portions of this revenue have been dedicated to brick street refurbishments such as Valencia Street and the Downtown Improvement District, which includes streetscaping with new brick streets, sidewalks and lighting on Hypolita, Spanish and Treasury Streets.

Salt Run Dredging

The City, in conjunction with the St. Augustine Port, Waterway & Beach District (SAPWBD) and the Florida Inland Navigation District (FIND), has been working on a multiple phased dredging project in Salt Run. Phase 3 and 4, totaling \$560,000, is currently in the process of being completed. These two phases will remove more than 25,000 cubic yards of material from the Conch House Marina to the Lighthouse Boat Ramp. The City is also entering into a fifth inter-local agreement with the SAPWBD for \$100,000 and is applying to the FIND for an additional \$300,000 grant. If approved, this fifth phase of the project will commence in early January 2015.

San Sebastian River Dredging

The City, in conjunction with the SAPWBD and FIND, has been working on a multiple phased dredging project of the San Sebastian River, which has not been dredged since 1956. The City has secured two grants from the SAPBD and FIND totaling \$460,000 and this project is currently being executed. These first two dredging phases will remove more than 20,000 cubic yards of material from the San Sebastian River.

A1A Safety Improvement/Orange Street Project

In fiscal year 2013, safety improvements along State Road A1A, near the Castillo de San Marcos and funded via a congressional earmark, were completed. Additional funding was provided via the Paul S. Sarbanes, Transit in Parks Grant for additional pedestrian improvements along Orange Street between the Historic Downtown Parking Facility and the Castillo de San Marcos. These improvements are in the final design phase and will be put out for bid during fiscal year 2014. The Orange Street improvements include adding a signalized pedestrian crossing on A1A at the east end of Orange Street, using brick pavers to resurface Orange Street thus making the east bound lane accessible by only trains/trolleys and horse-and-carriages, and improving pedestrian walkways along Orange Street as well as the west side of A1A.

Stormwater Master Plan Update

An update to the City's Stormwater Master Plan was completed in 2013, which included an inventory of projects to be accomplished over the next ten years. The first priority project, South Dixie Highway, is underway with surveying and preliminary design completed in 2013. It has been over 20 years since the plan had been updated. Along with the plan, the utility rate structure was evaluated and a new rate structure adopted in November 2013. The new rates go into effect March 2014 with anticipated annual revenues consistent with prior years. An automatic rate adjustment was built into the ordinance to provide cost of living increases into the rates. Part of the utility rate study included geo-coding the impervious areas for all properties, thereby taking advantage of the City's Geographic Information System (GIS). Procedures have been adopted to keep the database and GIS updated as new developments occur, which helps the City predict and plan for stormwater projects as well as revenue streams.

800 MHz Radio System Conversion

The FCC mandated that all users on the VHF channel 150 spectrum convert to narrow banding by January 1, 2013. At that time, the public safety officials of the City of St. Augustine and St. Johns County decided to migrate toward the 800 MHz P25 system in order to provide emergency personnel with advanced coverage, reliability, and interoperability with multiple agencies and jurisdictions.

The St. Johns County Commission agreed and approved the construction of the P25 system, which included 11 antennae sites throughout the county that were built to withstand a category 5

hurricane. The construction began two years ago and is now complete. The complete system, including radios for public safety personnel in the City and County, was purchased through a St. Johns County Bond. The cutover commenced in March 2013 and is now complete.

The City had the choice to convert the entire system over to narrow banding or switch over to the 800 MHz P25 system and have interoperability with public safety personnel. The City Commission agreed with this fundamental idea and approved the appropriation of a one-time withdrawal from reserves to cover the cost of the upgrade to the 800 MHz P25 system.

Economic Development

Historic Downtown

The City's historic downtown has continued to experience development/redevelopment activity. New construction along the west side of Spanish Street between Treasury Street and Hypolita Street has begun as well as construction at the complex at 1 St. George Street, and the Flagler College classroom building on Cordova Street is significantly complete.

Numerous buildings have been renovated in the historic downtown area this past year, providing for new businesses such as the Colonial Quarter, the First Colony in the Museum Government House, and Centro Restaurant and Piano Bar. Renovations have also provided for the relocation of businesses such as Potter's Wax Museum, and allowed for expansion of businesses such as the White Room. Commercial space continues to be in limited supply and high demand in the historic downtown.

San Sebastian Project and Distillery (Riberia Street Improvements)

The San Sebastian project is currently bank owned, post foreclosure, and has been shown much interest by the development community. If placed on the market, this could generate further development opportunities in the near future. In addition, the old ice plant building, located south of the San Sebastian project, which has sat vacant for many years, has opened as a distillery, retail space and restaurant with bar, demonstrating the viability of the area.

Lincolnvile Development Activity

The Lincolnvile Community Redevelopment Area (CRA) has been established and approximately \$33,000 has been put in reserve for future community redevelopment. Numerous people are investing in Lincolnvile anticipating that the area will transition into a historic area near the downtown core and the trendy place to live. Property values are increasing in Lincolnvile and new homes are being constructed, as older homes are being renovated. There is a very positive outlook for the Lincolnvile CRA, especially with the potential for private development at the old landfill site at the end of Riberia

Street, and the potential for a private entity to purchase the city-owned property at 102 Bridge Street. Currently, the City has purchase/rental agreements for the property at the end of Riberia Street for development of a Children's Museum and a Visitors/Educational Aquarium, and a purchase contract for the property at 102 Bridge Street for the development of a multifamily complex.

Anastasia Island

Projects on Anastasia Island include numerous renovation projects as well as the expansion of the Alligator Farm, across Old Quarry Road, for a popular zip line adventure feature and a much needed expansion of the parking area. There have been multiple new construction and renovation projects along this corridor, primarily in the restaurant industry.

San Marco Avenue and King Street Corridors

There are multiple redevelopment projects such as the \$3 million total redevelopment of an old hotel on San Marco Avenue into a Hilton Double Tree Hotel and the redevelopment of an old convenience store on King Street into a non-franchise restaurant. These types of redevelopment efforts have made King Street and San Marco Avenue very viable as entry corridors to the City.

State Road 312 Corridor

The State Road 312 corridor was one of the first areas of the City to experience economic recovery with an increase in development activity. Projects located in the State Road 312 corridor are generally larger projects that experienced the foreclosure process and are now actively being pursued.

Antigua

The Antigua development is a 450 unit residential development with a large marina component and associated commercial development. Docks and viewing platforms have been constructed along the north side of the development for residential access to the water. The main roadway infrastructure has recently been completed, making the project ready for vertical residential and commercial development.

Plantation Island Drive South (PIDS)

This commercial corridor is actively being marketed for commercial development. Although a number of the commercial lots along PIDS are currently bank owned, there is a recent trend for the sale of these lots to developers for use as commercial development in the near future.

Fish Island Development

The Fish Island Development, once a residential development with a large marina component and associated commercial development, has lost most of its development approvals; however, there has been recent interest in reestablishing the former development approvals.

U.S. 1/Lewis Speedway

Projects in the U.S. 1/Lewis Speedway area are some of the most active projects in the City with regard to permitting.

Flagler Development (Flagler Crossing)

Flagler Development is located on the west side of U.S. 1 and south of the St. Johns County Courthouse. A portion of Flagler Development, known as Flagler Crossing, recently underwent a Planned Unit Development amendment to convert the project from a multifamily residential project to a single family residential project. All of Flagler Development is aggressively being marketed. The area west of the railway tracks is slated for single family development and the portion east of the railway tracks is slated for multifamily development at the southern end of the project, and commercial development at the northern end of the project. Infrastructure development associated with the project is anticipated to commence over the next year.

Madeira

Madeira is a 750 unit residential development, with companion commercial development, along U.S. 1 that has experienced recent activity with regard to the residential portion of the project. One missing aspect of the project that will facilitate residential development is the addition of an amenity center, which has already been approved by the Planning and Zoning Board. It is anticipated that construction of the amenity center will initiate construction of 100 single family residential lots that have recently been contracted for purchase.

Old Sebastian Point

This 80 unit residential development off Lewis Speedway was one of the first residential developments to surface from the foreclosure market. Old Sebastian Point is currently one of the most active developments in the City. All but approximately 20 lots have been developed or are permitted for development. It is anticipated that Old Sebastian Point will be fully developed within a year.

Other U.S. 1 Corridor

In general the U.S. 1 corridor has not experienced a lot of development; however, a new multi-million dollar hotel is under construction on U.S. 1, south of King Street. Once complete, it will be the first hotel south of King Street, providing opportunities for visitors to stay on the perimeter of the historic downtown. In addition, two hotels at the intersection of U.S. 1 and S.R. 16 have received hundreds of thousands of dollars in renovations, clearly indicating the need to accommodate visitors in more elaborate accommodations.

CHALLENGES AND CONCERNS

As the City addresses the need for improved services, it is important that it identify the challenges which will face the community in future years.

Budget and Growth Concerns

The rapid growth, as seen by an increase in permitting and interest in development, is straining the current resources of the City. Until the City is able to recognize the revenues of this increase, we are faced with challenges to provide essential services.

Utility and Stormwater Infrastructure

Development applications continued to grow through 2013 for both new connections and re-starts of dormant projects through the fiscal downturn. Based on the money being invested in development projects and new construction starts, the City is encouraged that the economy is beginning to recover.

Due to the upturn, demand for services and revenue continue to grow placing burdens on limited staff resources. To meet these demands, particularly in the engineering office, additions to staff are slowly taking place to meet requests for permits, coupled with the amount of capital projects underway. The City is taking aggressive measures to conserve potable water and assure all billable water use is charged accordingly. New procedures and practices will better account for water usage and lost water, processes for inspections, repair/replacement of meters, and for the calibration and adjustment of meters, as necessary. This will ensure all revenue is captured and reduce the City's use of potable water for irrigation purposes.

West Augustine Community Redevelopment Area (CRA)

Work with the West Augustine community continues. The West Augustine CRA is located within the City's Utility Service Area. During FY2009/2010, the City and St. Johns County entered into an Inter-local Agreement to address concerns made by the CRA to provide sewer expansion. To fulfill the City's role in the Inter-local Agreement, in 2010 the City completed the

City of St. Augustine, Florida
Letter of Transmittal

West Augustine Master Sewer Plan. The Master Plan identified \$15 million of improvements that would provide sewer to all areas of the CRA.

Another provision of the Inter-local Agreement is to find financing mechanisms that will fund the sewer expansion, and address and solve the connection fee policy issue. Work is continuing between both agencies towards developing strategies to fund sewer expansion and to address connection fees to provide economic development to the blighted CRA.

Such mechanisms include applications for grants or low cost loans with Community Development Block Grants (CDBG), State Revolving Loan Fund (SRF) and USDA Rural Small Community Grants. In 2011, the City applied for and received pre-construction funding from the Florida Department of Environmental Protection State Revolving Loan Fund for \$1.86 million. Contracts were issued to Black & Veatch consultants to prepare the preconstruction documents and facilities plan required by the FDEP prior to moving into final design and construction phases. This project was completed in 2013.

Without an influx of grant or other capital resources, the financial model indicated that the improvements would not meet debt service because of the high percentage of vacant lots. The City and County are continuing to work together to find solutions to bring sewer to the West Augustine CRA. In 2013, the City Commission approved the funds to construct a forcemain extension on West King Street and Volusia Street as an economic seed (incubator) project. Design work was still underway at the end of FY2013.

Pedestrian Way-Finding and Bicycle Safety

The way-finding sign fabricator has produced final design, installation, and location documents for this new signage system that is targeted for completion before the beginning of the 2014 summer season. Sign types include blade signs installed on existing poles, map kiosk signs (in large and small formats) installed on new poles, and simplified map decals installed on selected parking paystations. The large and small formatted map kiosk signs include a map graphic, location identification, and a list of historic and governmental sites that meet the identification criteria established by the Planning Department in accordance with the Sign Ordinance. Public information centers, parking, restroom facilities, and park areas are also symbolized. The blade signs are intended for pedestrian and, in some cases, vehicular orientation to direct users toward the identified site.

Visitors to downtown St. Augustine travel through the historic area primarily as pedestrians, and both residents and tourists travel on a bicycle. Each of these requires enhancements in the right-of-way to accommodate safe and effective travel. To this end, the City of St. Augustine is moving forward with functional bicycle parking facilities and implementation of a way-finding signage system. Existing bicycle racks were the type referred to as ‘wheelbenders’ and were not well situated in the downtown area. Black finished, simple pole and ring bicycle parking areas have now been installed in at least five areas downtown that accommodate 10-12 bicycles each.

MANAGEMENT DISCUSSION AND ANALYSIS

Included in the Financial Section of this Comprehensive Annual Financial Report is the Management Discussion and Analysis. This section provides a broad overview and analysis of the City's activities and should be used in conjunction with the Letter of Transmittal.

DEBT ADMINISTRATION

The City does not have any outstanding property tax supported debt. Each of the proprietary debt issues are considered to be self-supporting because revenues derived from operations provide for the debt requirements on an annual basis. A summary of outstanding bond issues and long-term notes payable as of September 30, 2013, for the City are as follows:

Outstanding Bond Issue	Balance
Water and Sewer Revenue, 2005	\$ 5,870,000
Public Service Tax and Guaranteed Entitlement, 2004	1,810,000
Public Service Tax and Guaranteed Entitlement, 2011	16,215,000
Public Service Tax and Guaranteed Entitlement, 2011B	9,430,000
Water and Sewer Revenue, 2012	15,930,000
Public Service Tax and Guaranteed Entitlement, 2013	20,315,000
Total Outstanding Bond Issues	<u>\$ 69,570,000</u>

The table below shows the City's debt service coverage for the Utility Fund for the year ended September 30, 2013.

Fiscal Year Ended	Gross Revenue	Operating Expenses	Net Revenue	Debt Service Requirements	Debt Service Coverage
2013	20,661,902	8,223,690	4,417,087	2,843,032	1.55

REPORTING ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of St. Augustine, Florida, for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2012. This is the 21st consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

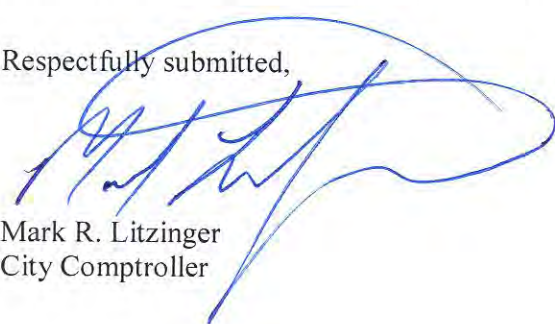
A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGEMENTS

The presentation of this report, in a timely manner, was accomplished with the efficient and dedicated service of the City of St. Augustine's Finance, Budget and Management Department, and the CPA firm of Masters, Smith & Wisby, P.A.

We would like to express our appreciation to all members of the department who assisted and contributed to its preparation. We would also like to thank the Mayor and the members of the City Commission for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Mark R. Litzinger
City Comptroller

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Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of St. Augustine
Florida**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2012

Executive Director/CEO

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Principal City Officials

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City of St. Augustine

Comprehensive Annual Financial Report For the Year Ended September 30th, 2013

Principal City Officials

City Commission

Mayor-Commissioner.....	Joseph Boles
Vice Mayor-Commissioner.....	Nancy Sikes-Kline
Commissioner.....	Leanna Freeman
Commissioner.....	Roxanne Horvath
Commissioner.....	Donald Crichlow

City Staff

City Manager.....	John Regan
City Attorney.....	Ronald Brown
City Clerk.....	Alison Ratkovic
Assistant City Manager.....	Timothy Burchfield
City Comptroller.....	Mark Litzinger
Police Chief.....	Loran Lueders
Fire Chief.....	Michael Arnold
Director, General Services.....	James Piggott
Director, Planning & Building.....	Mark Knight
Director, Public Affairs.....	Paul Williamson
Director, Public Works.....	Martha Graham
Director, St. Augustine 450th Commemoration.....	Dana Ste Claire

City Boards & Committees

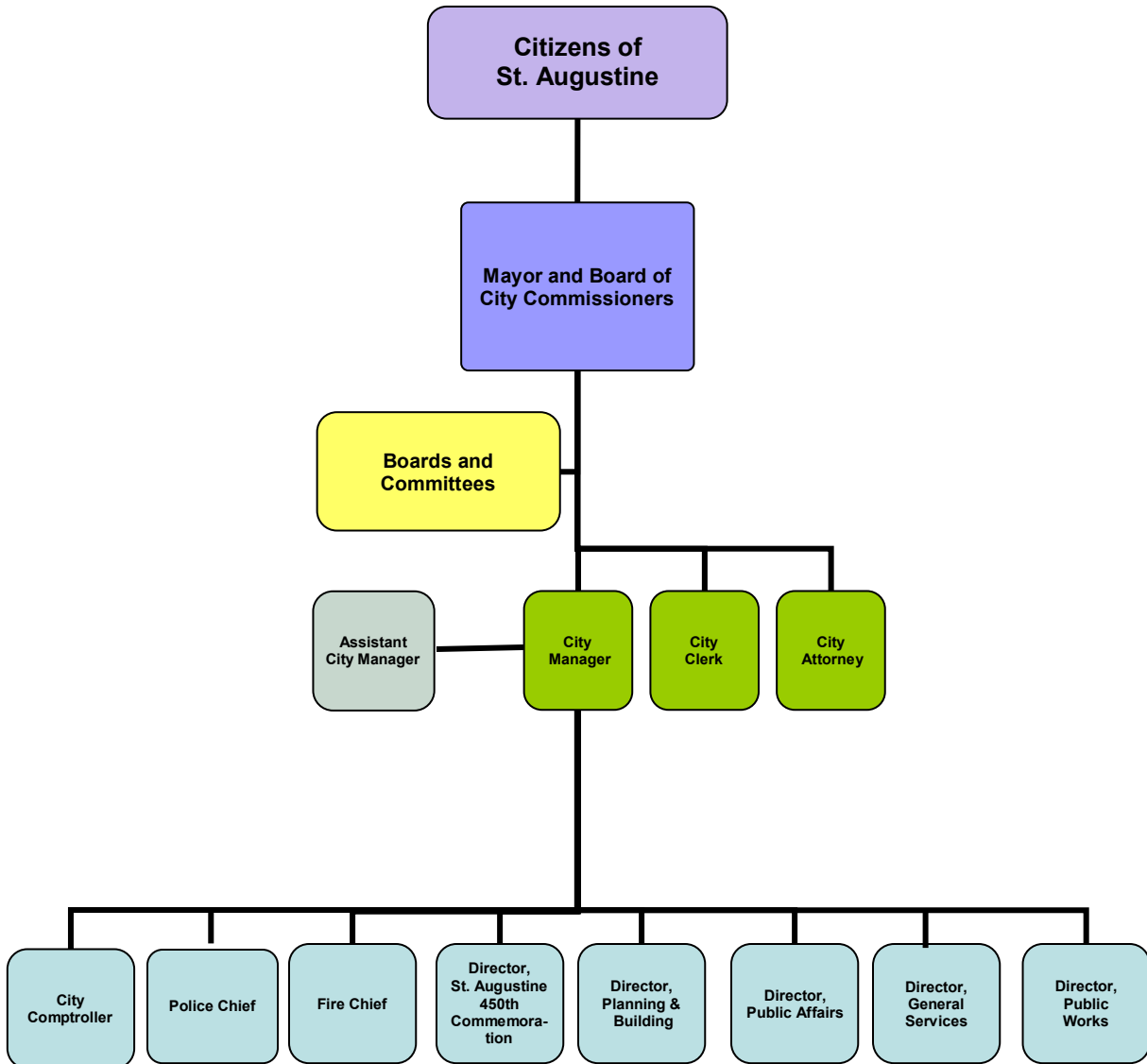
Care & Share Committee
Civil Service Board
Code Enforcement, Adjustments & Appeals Board
Firefighters' Retirement Board of Trustees
General Employees' Retirement Board
Historic Architectural Review Board (HARB)
Parking & Traffic Committee
Planning & Zoning Board (PZB)
Police Officers' Retirement Board
Street Tree Advisory Committee (STAC)
Parking & Traffic Committee

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Organizational Chart

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City of St. Augustine
Comprehensive Annual Financial Report
For the Year Ended September 30th, 2013
City Government Organizational Chart



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FINANCIAL SECTION

This Section Contains the Following:

Independent Auditors' Report

**Management Discussion and Analysis
(MD&A)**

Basic Financial Statements

**Required Supplementary Information
Other than MD&A**

Combining Statements

**Schedule of Expenditures of
Federal Awards and
State Financial Assistance**

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Independent Auditors' Report

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STEVEN D. RAWLINS, CPA
GARY M. HUGGETT, CPA
JEFFREY M. JACOBS, CPA

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members of the City Commission
Mr. John Regan, City Manager
City of St. Augustine, Florida
St. Augustine, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of St. Augustine, Florida (the City) as of and for the year ended September 30, 2013 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Managements Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, this includes the design, implementation, and maintenance of internal control relevant to the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2013 and the respective changes in financial position, and where applicable, cash flows thereof, and the respective budgetary comparison for the general fund and Community Redevelopment Agency special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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PONTE VEDRA OFFICE
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PONTE VEDRA BEACH, FL 32082
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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information as listed in the table of contents (collectively, the required supplementary information) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance..

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining financial statements and statistical section as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining financial statements and the schedule of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements and the schedule of expenditures of federal awards and state financial assistance is fairly stated in all material respects in relation to the financial statements taken as a whole.

The introductory and statistical section have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on them.


Certified Public Accountants
Jacksonville, Florida

March 28, 2014

Management Discussion & Analysis

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Management Discussion and Analysis

The City of St. Augustine's Management Discussion and Analysis (MD&A) is designed to provide an objective and easy to read analysis of the City of St. Augustine's financial activities based on currently known facts, decisions and conditions. It is intended to provide a broad overview and short-term and long-term analysis of the City's activities based on information presented in the financial statements. Specifically, this information is designed to assist the reader in focusing on significant financial issues, provide an overview of the City's financial activity, identify changes in the City's financial position, distinguish material deviations from the approved budget and recognize any individual fund concerns.

The information contained within this MD&A is designed to focus on the current year's activities, resulting changes and currently known facts and is only a component of the entire financial statement report. We encourage readers to consider the information contained in this discussion in conjunction with additional information contained in our transmittal letter beginning on page one in the front of this report, and the City's financial statements beginning on page 55.

Financial Highlights

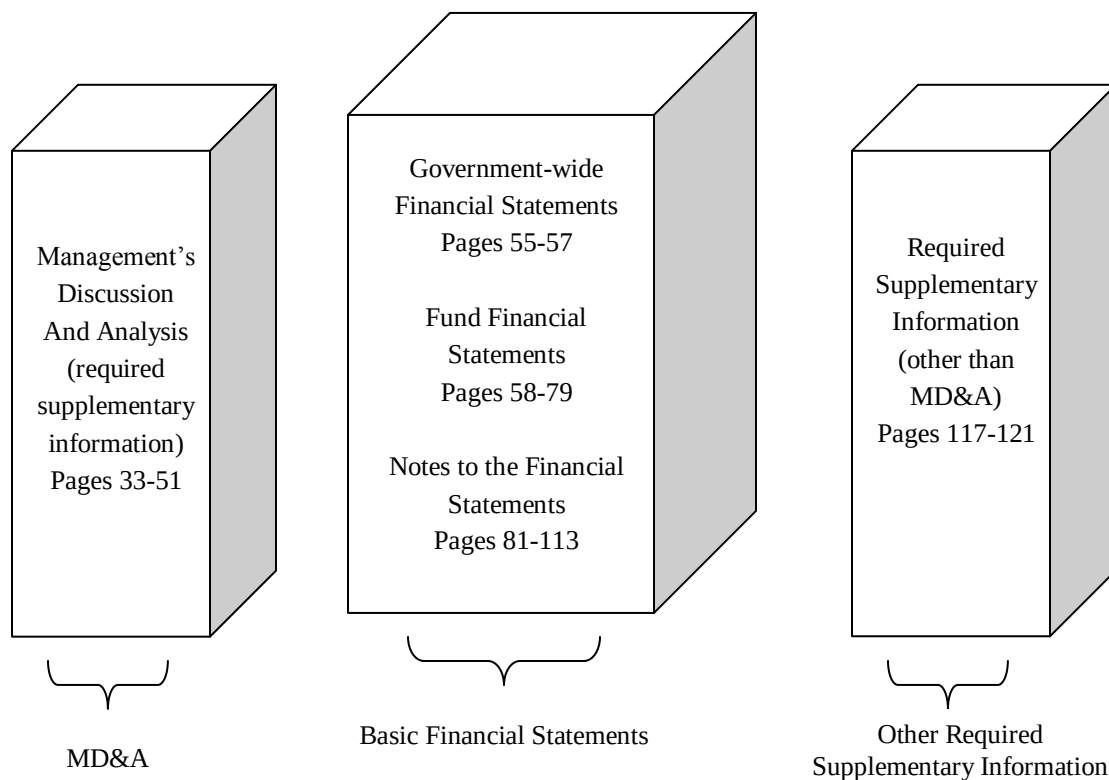
- The City's assets at the close of the most recent fiscal year exceeded its liabilities (reported as net position) by \$93,088,504. Of this amount, \$23,909,754 (unrestricted) can be used to meet the government's ongoing obligations to citizens and creditors. The City's net position increased by \$2,944,874 (or 3.16%) from the previous year, as restated.
- Governmental net position decreased by \$15,199,967 (or 132%) for the current fiscal year and governmental unrestricted net assets were equal to \$8,071,115. This decrease in net position was due to the transfer of bond proceeds to the business-type activities of \$14,210,000.
- Business-type net position increased by \$18,144,841 (or 22.24%). Business-type unrestricted net assets were equal to \$15,838,639. This increase in net position was due to the transfer of bond proceeds from the governmental activities of \$14,210,000.
- The governmental activities revenue decreased by \$135,463 (or 0.59%). The current year's activities produced a decrease in net assets of \$15,199,967 compared to the previous year's decrease of \$86,241. This was due to the transfer of bond proceeds.
- The business-type activities revenue increased by \$2,089,445 (or 7.89%). Capital Grants and Contributions account for this increase. The current year's activities produced an increase in net assets of \$18,144,841 compared to the previous year's increase of \$3,545,862. This was due to the transfer of bond proceeds.

- The City's total debt increased by a net \$2,326,169 during the fiscal year.

Overview of the Financial Statements

Using the Annual Report

The following graphic is provided for your review to better understand this report's layout.



The City's basic financial statements are comprised of three components: Government-wide Financial Statements, Fund Financial Statements and Notes to the Financial Statements. The report also includes Required Supplementary Information in addition to the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements report on the City as a whole. The statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. There are two government-wide statements. Both distinguish functions of the City that are principally supported by taxes, licenses and permits, and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The Government-wide Financial Statements can be found on pages 55-57 of this report.

The statement of net position presents information on all of the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or weakening. However, other factors should be considered such as the condition of the City's capital assets to assess the overall health of the City.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Fund Financial Statements

Traditional users of governmental financial statements will find the fund financial statements presentation more familiar. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate legal compliance with finance-related legal requirements. The City chose to include the required budget-to-actual comparisons in the fund financial statements of its financial report. The City has three fund categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds report basic services, which focus on near-term inflows and outflows of available resources and their balances at year-end. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences are reconciled between government-wide activities (reported in the statement of net position and the statement of activities) and governmental funds on separate schedules following the respective governmental funds.

City of St. Augustine, Florida
Management Discussion and Analysis
For the year ended September 30, 2013

The fund financial statements provide detailed information about the most significant funds, not the City as a whole. The City opted to report all funds as major funds which include the following: General Fund, Debt Service Fund, Special Revenue Fund, Capital Projects Fund and Permanent Fund.

The City of St. Augustine adopts an annual appropriated budget for its General Fund and Special Revenue Fund. A budgetary comparison statement has been provided for these funds to demonstrate compliance with their budget.

Proprietary funds are used to account for revenues and expenses from services provided on a user-charge basis to the public. Proprietary fund activities are reported on the same accounting basis and measurement focus as the statement of activities, which is similar to that found in the private sector and provides a periodic measurement of net income. The City's proprietary activities are accounted for in enterprise funds. The City opted to report all funds as major funds which include the following: Utility Fund, Stormwater Fund, Solid Waste Fund, Municipal Marina Fund and Visitor Information Center Fund.

Fiduciary funds report information about financial arrangements in which the City acts solely as an agent or trustee for others. The City is responsible for ensuring these resources are used for their intended purposes. Since the funds are not resources of the City, but are held for the benefit of others, we exclude these activities from the government-wide statements. The City's fiduciary funds include the following: General Pension Fund, Police Pension Fund and Fire Pension Fund.

Notes to the Financial Statements & Other Information

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The required supplementary information includes the schedules of funding progress and contributions for the fiduciary funds. The combining statements include the fiduciary funds combined but in more detail than the government-wide. Additional statistical information is presented to give users of the report a historical perspective and to assist in determining current financial trends of the City.

Financial Analysis

City as a whole

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's assets exceeded liabilities by \$93,088,503 as of September 30, 2013. A portion of the City's net position of \$62,248,070 (or 66.9%), reflects its net investments in capital assets used to acquire these assets that is still outstanding. The City uses capital assets to provide services to citizens; therefore, these assets are not available for future spending.

City of St. Augustine, Florida
Management Discussion and Analysis
For the year ended September 30, 2013

Restricted net position of the City in the amount of \$6,930,680 is reported in both governmental and business-type activities. This restricted net position has limits on its use that are externally imposed.

Unrestricted net position of the City in the amount of \$23,909,754 can be used to meet the City's ongoing obligations to citizens and creditors. The terms restricted and unrestricted are governed by generally accepted accounting principles and do not fully consider City management decisions regarding spending limitations. Accounting principles may not restrict some amounts that have been earmarked for future uses governed by managerial decisions and plans.

Summary of Net Assets as of September 30th, 2013, with comparative data for 2012

	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Current and Other Assets	\$ 14,848,065	\$ 27,433,876 *	\$ 26,413,071	\$ 15,758,206 *	\$ 41,261,136	\$ 43,192,082 *
Capital Assets	24,938,374	25,303,561	106,207,795	96,138,997	131,146,169	121,442,558
Total Assets	39,786,439	52,737,437	132,620,866	111,897,203	172,407,305	164,634,640
Unamortized Loss on Refunding	-	-	1,666,404	-	1,666,404	-
Total Deferred Outflow of Resource	-	-	1,666,404	-	1,666,404	-
Current and Other Liabilities	4,168,504	2,906,159	7,246,702	4,341,021	11,415,206	7,247,180
Long-term Debt Outstanding	24,106,979	23,120,355	45,463,020	44,123,476	69,569,999	67,243,831
Total Liabilities	28,275,483	26,026,514	52,709,722	48,464,497	80,985,205	74,491,011
Net Position:						
Invested in Capital Assets, Net of Related Debt	1,503,296	11,255,991	60,744,774	51,779,723	62,248,070	63,035,714
Restricted	1,936,545	5,620,856	4,994,135	2,147,376	6,930,680	7,768,232
Unrestricted	8,071,115	9,834,076 *	15,838,639	9,505,607 *	23,909,754	19,339,683 *
Total Net Position	\$ 11,510,956	\$ 26,710,923 *	\$ 81,577,548	\$ 63,432,706 *	\$ 93,088,504	\$ 90,143,629 *

* The City restated its 2012 Current and Other Assets, Total Assets, Unrestricted Net Position and Total Net Position for Governmental and Business-Type Activities due to the implementation of GASB 65. See Note 1 in the Notes to the Financial Statements.

City of St. Augustine, Florida
Management Discussion and Analysis
For the year ended September 30, 2013

As noted earlier, the statement of activities presents information showing how the government's net position changed during the most recent fiscal year.

Statement of Activities for the year ended September 30th, 2013, with comparative data for 2012
(in thousands)

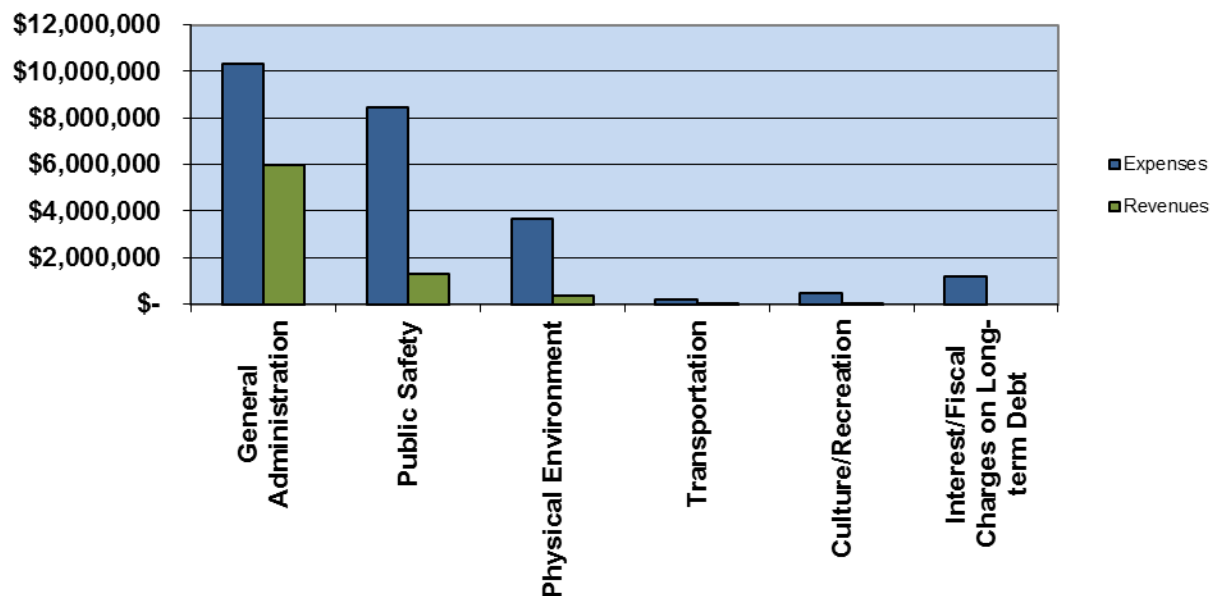
	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Revenues						
Program Revenues:						
Charges for Services	\$ 7,456	\$ 6,741	\$ 22,086	\$ 22,150	\$ 29,542	\$ 28,891
Operating Grants and Contributions	81	27	-	-	81	27
Capital Grants and Contributions	164	1,062	4,347	2,163	4,511	3,225
General Revenues:						
Taxes	12,054	12,311	-	-	12,054	12,311
Fees	1,368	1,448	-	-	1,368	1,448
Revenue Sharing	549	549	-	-	549	549
Investment Income	29	30	52	82	81	112
Miscellaneous	999	661	-	-	999	661
Total Revenues	22,700	22,829	26,485	24,395	49,185	47,224
Program Expenses Including						
Indirect Expenses						
General Administration	10,348	8,713	-	-	10,348	8,713
Public Safety	8,439	8,179	-	-	8,439	8,179
Physical Environment	3,681	3,679	-	-	3,681	3,679
Transportation	202	214	-	-	202	214
Culture/Recreation	485	446	-	-	485	446
Interest/Fiscal Charges on Long-term Debt	1,200	1,223	-	-	1,200	1,223
Utilities	-	-	12,131	11,471	12,131	11,471
Stormwater	-	-	630	554	630	554
Solid Waste	-	-	3,275	2,970	3,275	2,970
Municipal Marina	-	-	2,243	2,410	2,243	2,410
Visitor Information Center	-	-	3,606	3,911	3,606	3,911
Total Expenses	24,355	22,454	21,885	21,316	46,240	43,770
Change in Net Position Before Transfers	(1,655)	375	4,600	3,079	2,945	3,454
Transfers	(13,545)	(467)	13,545	467	-	-
Change in Net Position	(15,200)	(92)	18,145	3,546	2,945	3,454
Net Position - Beginning, as Restated	26,711	26,063	63,433	60,610	90,144	86,673
Net Assets - Ending	\$ 11,511	\$ 26,711	\$ 81,578	\$ 63,433	\$ 93,089	\$ 90,127

Governmental Activities

Governmental activities caused a decreased in the City's net position of \$15,199,967. Governmental activities decreased the City's fund balance by \$13,181,906. Of this decrease, \$14,210,000 was due to a transfer from the General Fund to Utility Fund, Storm Water Fund and Marina Fund for bond proceeds.

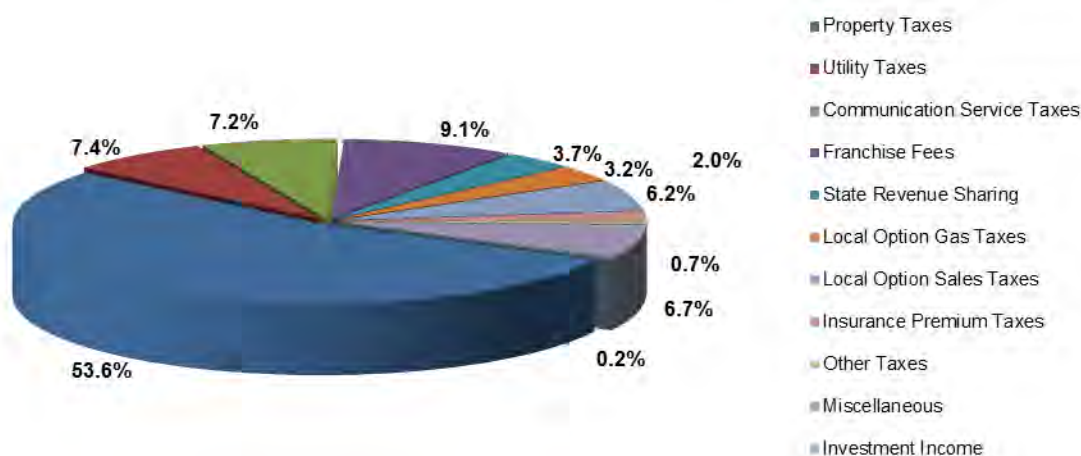
Program revenues are revenues that can be assigned or are attributable to a specific program. These revenues account for \$7,700,475 (or 33.9%) of total governmental activities revenue. The chart below shows governmental activities by program with their respective expenses and revenues.

Program Expenses and Revenues - Governmental Activities



General revenues are revenues that fail to meet the criteria of program specific revenues. General revenues account for \$14,999,629 (or 66.08%) of total governmental activities revenue. The chart below shows total general revenues by category.

General Revenues - Governmental Activities



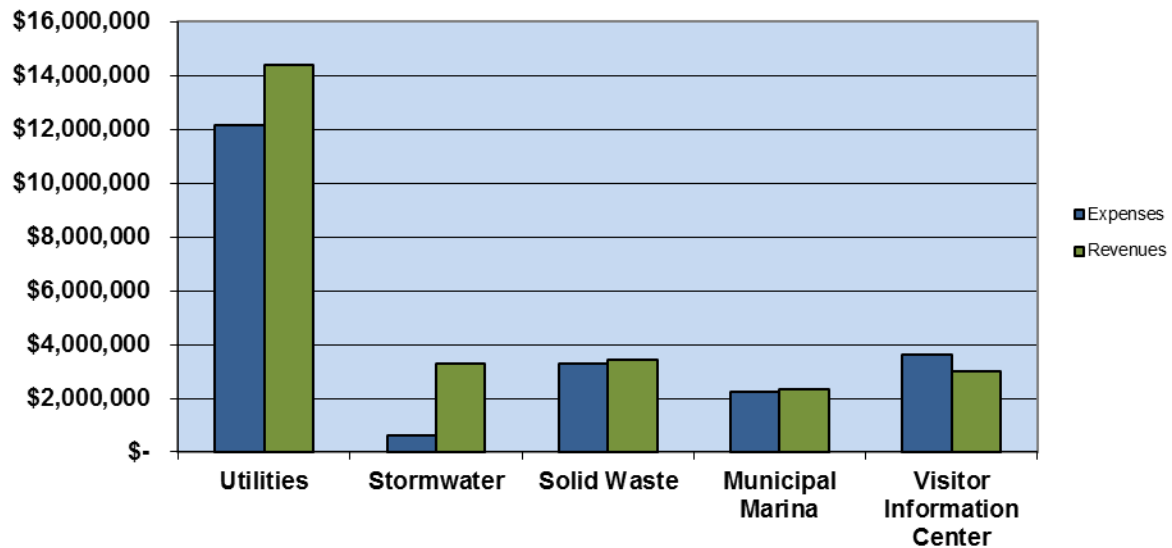
Business-type Activities

Business-type activities increased the City's net position by \$18,144,841. Key elements of this increase are as follows:

- A transfer was made from the General Fund to the Utility Fund, Storm Water Fund and Marina Fund for bond proceeds. This transfer totaled \$14,210,000.
- The business-type activities that are primarily driven by growth and development added \$4,920,553 to Net Position. This is primarily attributed to capital grants and contributions.

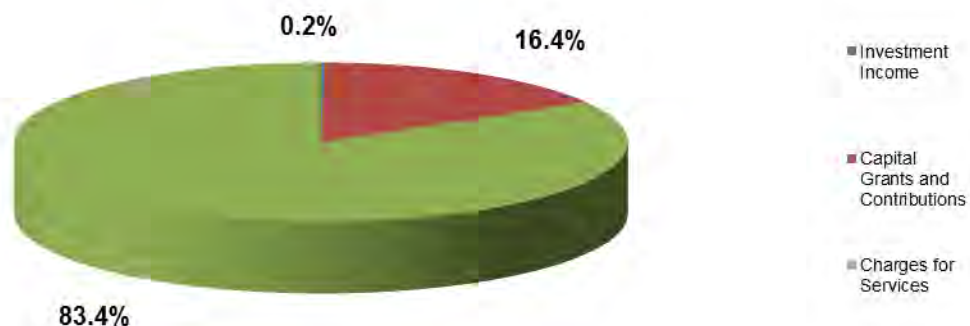
Program revenues are revenues that can be assigned or are attributable to a specific program. These revenues account for \$26,433,511 (or 66.03%) of total business-type activities revenue. The chart below shows business-type activities by program with their respective expenses and revenues.

Program Expenses and Revenues - Business-type Activities



Total revenues for business-type activities amounted to \$26,485,091. Below is a chart depicting business-type activities by source.

Revenues by Source - Business-type Activities



Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. This information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$12,534,729, a decrease of \$13,181,906 from the previous fiscal year. The key element of this decrease was the transfer of bond proceeds to the Utility Fund, Stormwater Fund and Marina Fund.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$8,071,115 while the total fund balance was \$10,233,812. As a measure of the General Fund's liquidity, it may be useful to compare both the unassigned fund balance and the total fund balance to the total fund expenditures.

The fund balance of the City's General Fund decreased by \$15,419,080 from the previous fiscal year. The following transfers of bond proceeds were made from the General Fund:

- Capital Projects Fund: \$1,190,000
- Utility Fund: \$8,021,125
- Stormwater Fund: \$3,688,875
- Marina Fund: \$2,500,000

The Debt Service Fund is the fund used to set aside resources to meet current debt service requirements on general long-term debt.

The Special Revenue Fund maintains certain revenue raised to be used for a specific purpose.

The Capital Projects Fund is used to report major capital acquisitions and construction separately from ongoing operating activities.

The Permanent Fund is used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used to support the City's programs. At the end of the current fiscal year, the total fund balance was \$63,829. The fund balance increased by \$86 over the previous year. This increase is due to interest earned on the Anderson and Woodman Trust Funds throughout the year.

City of St. Augustine, Florida
Management Discussion and Analysis
For the year ended September 30, 2013

Proprietary Funds

The City's proprietary funds provide the same type of information provided in the government-wide statements, but in more detail. The tables below list the net position summaries for the various enterprise funds.

Summary of Change in Net Position - Proprietary Funds
For the Year Ended September 30, 2013
(in thousands)

	Utility	Storm Water Drainage	Solid Waste	Municipal Marina	Visitor Information Center	Total Proprietary
Net Position - Beginning, as restated	\$ 53,064	\$ 7,943	\$ 3,380	\$ 1,148	\$ (2,102)	\$ 63,433
Change in Net Position	10,220	6,114	59	2,462	(710)	18,145
Net Position - Ending	<u>\$ 63,284</u>	<u>\$ 14,057</u>	<u>\$ 3,439</u>	<u>\$ 3,610</u>	<u>\$ (2,812)</u>	<u>\$ 81,578</u>

Net Position As of September 30, 2013

	Utility	Storm Water Drainage	Solid Waste	Municipal Marina	Visitor Information Center	Total Proprietary
Invested in Capital Assets,						
Net of Related Debt	\$ 46,055	\$ 12,487	\$ 1,266	\$ 3,841	\$ (2,903)	\$ 60,746
Restricted	4,994	-	-	-	-	4,994
Unrestricted	12,235	1,570	2,173	(231)	91	15,838
Total Net Position	<u>\$ 63,284</u>	<u>\$ 14,057</u>	<u>\$ 3,439</u>	<u>\$ 3,610</u>	<u>\$ (2,812)</u>	<u>\$ 81,578</u>

City of St. Augustine, Florida
Management Discussion and Analysis
For the year ended September 30, 2013

Cumulatively, the proprietary funds had an \$18,144,841 increase in net assets. Key factors pertaining to this increase, in addition to the bond proceed transfer mentioned above, are as follows:

- The Utility Fund had operating income of \$1,268,184 and capital grants and other capital contributions of \$1,652,097.
- The Stormwater Fund received \$2,521,041 in capital grants that are being used for infrastructure projects.
- The Solid Waste Fund had operating income of \$297,626.
- The Municipal Marina Fund had operating income of \$143,808. This can be attributed to a reduction in operating expenses from the previous year.
- The Visitor Information Center Fund had operating income of \$439,505 due to a full year of the new business model in this fund.

General Fund Budgetary Highlights

There are no material differences between the original budget and the final amended budget for appropriations (expenditures) in the General Fund. There were no material budgetary changes to the General Fund budgets and all budgetary policies and controls were adhered to throughout the year. (See budget to actual comparison on page 65.)

City of St. Augustine, Florida
Management Discussion and Analysis
For the year ended September 30, 2013

Capital Asset and Long-term Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2013, amounts to \$131,146,169 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment and infrastructure. The total increase in the City's investment in capital assets for the current fiscal year was 7.4%.

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Land	\$ 5,958,730	\$ 5,958,730	\$ 1,145,803	\$ 1,145,803	\$ 7,104,533	\$ 7,104,533
Buildings	9,353,381	9,379,195	35,402,245	35,740,592	44,755,626	45,119,787
Infrastructure	6,931,867	7,342,759	50,796,775	51,711,761	57,728,642	59,054,520
Machinery	1,030,554	1,295,815	1,775,671	1,723,353	2,806,225	3,019,168
Total	23,274,532	23,976,499	89,120,494	90,321,509	112,395,026	114,298,008
Work in Progress	1,663,842	1,327,062	17,087,301	5,817,488	18,751,143	7,144,550
Total	<u>\$ 24,938,374</u>	<u>\$ 25,303,561</u>	<u>\$ 106,207,795</u>	<u>\$ 96,138,997</u>	<u>\$ 131,146,169</u>	<u>\$ 121,442,558</u>

The following reconciliation summarizes the change in capital assets, which is presented in detail on pages 91-93 of the Notes to the Financial Statements.

	Governmental Activities	Business-type Activities	Total
Beginning Balance	\$ 25,303,561	\$ 96,138,997	\$ 121,442,558
Additions	794,838	3,334,697	4,129,535
Retirement	(595,695)	(420,378)	(1,016,073)
CWIP	336,780	11,269,813	11,606,593
Other	-	-	-
Depreciation	<u>(901,110)</u>	<u>(4,115,334)</u>	<u>(5,016,444)</u>
Ending Balance	<u>\$ 24,938,374</u>	<u>\$ 106,207,795</u>	<u>\$ 131,146,169</u>

City of St. Augustine, Florida
Management Discussion and Analysis
For the year ended September 30, 2013

The City currently has the following construction work-in-progress:

Chlorine Conversion	\$ 39,250
Abbot Tract Water Main	28,490
Fullerwood Neighborhood Water Main	70,152
Menendez & Arricola Water Main	117,495
Magnolia Water Main Improvements	57,564
WWTP Digerster Aerators Replacement	64,337
Basin 22 Sewer Rehab	178,616
WWTP Outfall Repair	4,000
WWTP Wier Gate Installation	60,187
US1 Interconnect & North Tank Improvements	31,460
Matanzas Avenue Water Main	44,509
Drinking Water Facilities Plan	32,160
Hibiscus Street Sewer Repairs	16,428
Lighthouse Area Watermain	637,781
Lincolnville Watermain Improvements	545,955
LRPO Concentrate Disposal Permitting	188,308
Marina Improvements	2,539,319
North City Watermain	13,865
Palmer/Masters Drive Watermain Replacement	483,693
Riberia Street Phase II Utility	1,376,153
Riberia Street Phase II Stormwater	2,680,226
Sewer Sliplining	13,260
Sea Wall Rehab	5,731,927
Sodium Hypochlorite Expansion	287,000
South Dixie Highway Improvements	96,102
Valencia Street Rehab	203,121
VIC Expansion & Renovation	1,359,654
Volusia Street Watermain	186,289
San Sebastian River Dredging	19,053
Fire Station Repairs	19,912
Downtown Improvement District	27,990
Valencia Street Survey & Rehab	314,546
FDOT Traffic Engineering Safety Study	1,282,341
Total	<u><u>\$ 18,751,143</u></u>

City of St. Augustine, Florida
Management Discussion and Analysis
For the year ended September 30, 2013

Major capital asset events during the current fiscal year included the following:

I&I Sewer Rehab Project	\$ 586,696
Galimore Swimming Pool Rehab	388,315
Purchase of Solid Waste Trucks (2)	407,433
Purchase of Sludge Truck	148,478
Transmission & Distribution Improvements	147,403
Volusia Street Improvements	151,098
	<u><u>\$ 1,829,423</u></u>

Long-Term Debt

At the end of fiscal year 2013, the City had total debt outstanding of \$69,570,000. All of this debt is secured solely by specified revenue sources. More detail on the long-term debt is presented on pages 94-100 of the Notes to the Financial Statements.

Outstanding Debt at Year-end

	2013	2012
Governmental:		
Revenue Bonds	\$ 24,106,979	\$ 23,120,355
Business Type:		
Water & Sewer Revenue Bonds	21,800,000	20,508,832
Municipal Marina Revenue Bonds	463,985	598,495
Visitor Information Center Revenue Bonds	23,199,036	23,016,149
Total	\$ 69,570,000	\$ 67,243,831

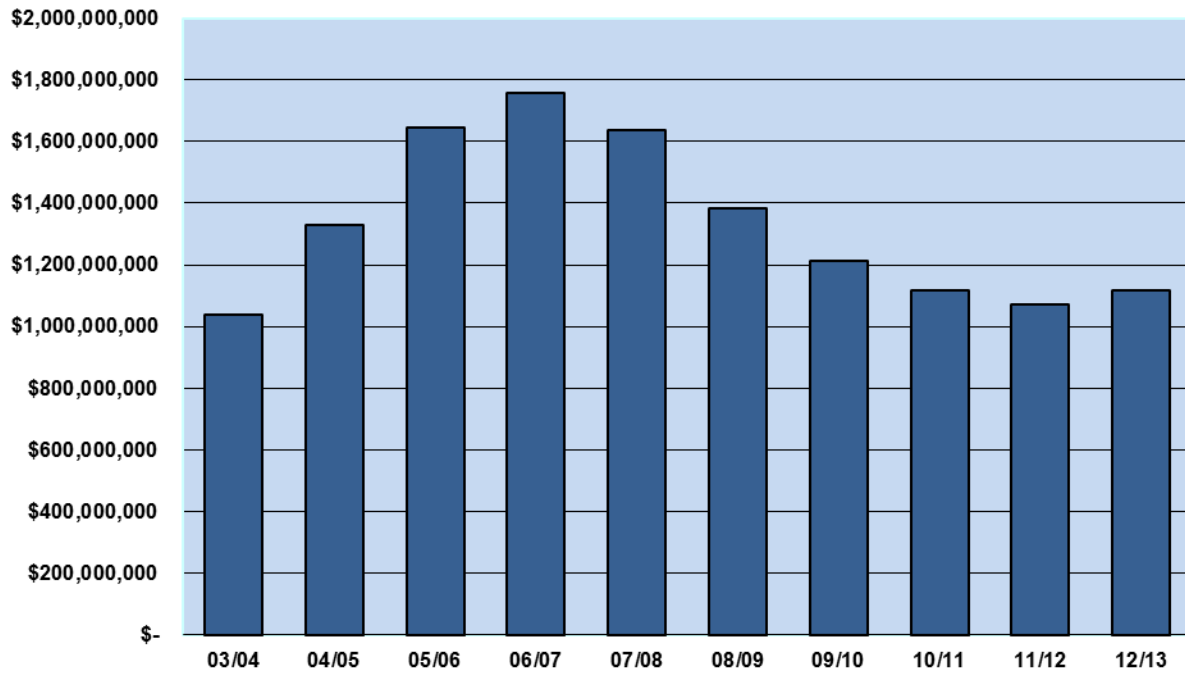
Economic Factors

The City primarily relies on property and a limited array of permitted or other taxes and fees for governmental activities. There are a number of state-shared revenues and recurring and non-recurring grants from both the state and federal governments. City's ad valorem tax revenues have stabilized and minimal growth is being seen in the 2013-2014 fiscal year.

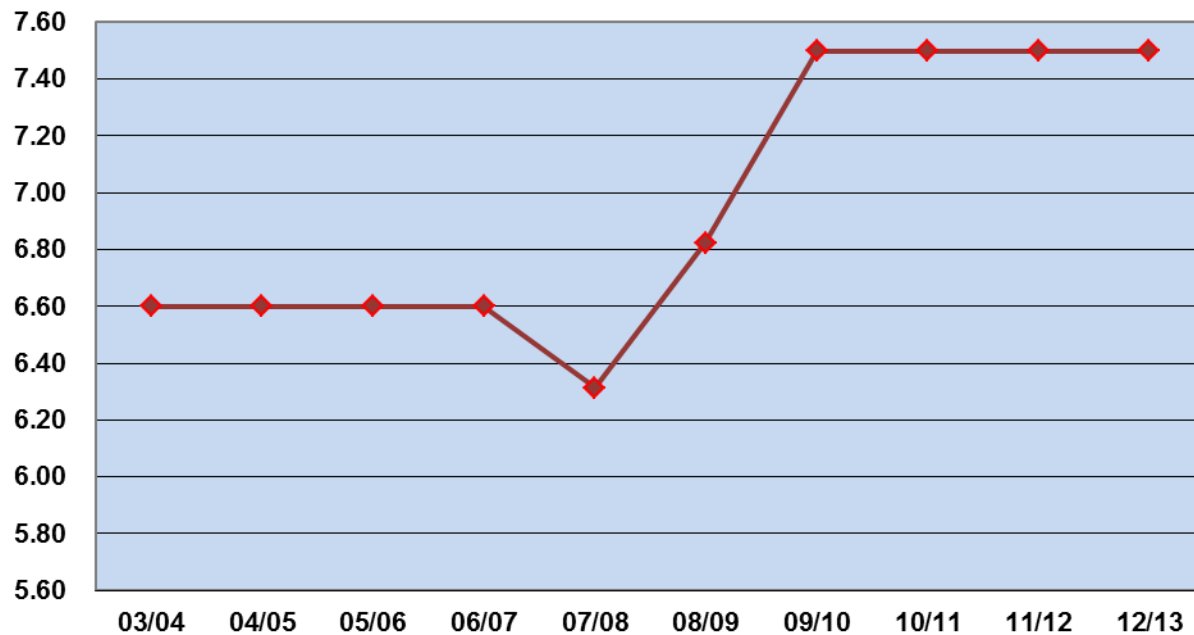
The City regularly competes with the County for growth and expansion of services in an attempt to offset cost and lower customer fees. The level of taxes, fees and charges for services will have a bearing on the City's specific competitive ability to annex additional land into its corporate limits and encourage development to locate within its jurisdiction.

City of St. Augustine, Florida
Management Discussion and Analysis
For the year ended September 30, 2013

City of St. Augustine Total Taxable Value



Property Tax Rate Comparison



Financial Contact

The City's financial statements are designed to present users (citizens, taxpayers, customers, investors and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions about the report or need additional financial information, contact the City Comptroller's office located at the Financial Services Center, 50 Bridge Street, St. Augustine, Florida 32084.

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Basic Financial Statements

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CITY OF ST. AUGUSTINE, FLORIDA
Statement of Net Position
September 30, 2013

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 11,321,381	\$ 19,339,726	\$ 30,661,107
Receivables (Net)	860,797	3,081,030	3,941,827
Due from Other Governments	-	-	-
Internal Balances	1,266,991	(1,266,991)	-
Inventories	592,237	265,171	857,408
Prepaid Items	79,694	-	79,694
Net Pension Assets	608,435	-	608,435
Restricted Assets:			
Cash and Cash Equivalents	118,530	4,994,135	5,112,665
Capital Assets:			
Non-Depreciable	7,622,572	18,233,105	25,855,677
Depreciable (Net)	17,315,802	87,974,690	105,290,492
Total Assets	39,786,439	132,620,866	172,407,305
DEFERRED OUTFLOW OF RESOURCES			
Unamortized Loss on Refunding	-	1,666,404	1,666,404
LIABILITIES			
Accounts Payable and Accrued Expenses	1,550,577	2,572,301	4,122,878
Deposits	-	367,140	367,140
Unearned Revenue	154,324	1,883	156,207
Non-Current Liabilities:			
Due Within One Year:			
Compensated Absences	86,406	34,964	121,370
Bonds Payable	396,096	2,533,814	2,929,910
Unamortized Bond Premium (Discount)	(42,872)	274,060	231,188
Due in More Than One Year			
Net Retiree Healthcare Obligation	535,184	-	535,184
Net Pension Obligation	124,109	-	124,109
Compensated Absences	2,214,800	637,465	2,852,265
Bonds Payable	23,710,883	42,929,207	66,640,090
Unamortized Bond Premium (Discount)	(454,024)	3,358,888	2,904,864
Total Liabilities	28,275,483	52,709,722	80,985,205
NET POSITION			
Net Investment in Capital Assets	1,503,296	60,744,774	62,248,070
Restricted for:			
Expendable			
Capital Projects	1,135,396	-	1,135,396
Renewal and Replacement	-	4,304,597	4,304,597
Other	65,389	689,538	754,927
Non-Expendable			
Permanent Fund	63,829	-	63,829
Other	671,931	-	671,931
Unrestricted	8,071,115	15,838,639	23,909,754
Total Net Position	\$ 11,510,956	\$ 81,577,548	\$ 93,088,504

See accompanying notes to basic financial statements

CITY OF ST. AUGUSTINE, FLORIDA
Statement of Activities
For Year Ended September 30, 2013

FUNCTION/PROGRAM ACTIVITIES	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental Activities:				
General Government	\$ 10,347,659	\$ 5,794,248	\$ -	\$ 163,816
Public Safety	8,438,777	1,213,351	80,639	-
Physical Environment	3,681,026	380,119	-	-
Transportation	201,513	22,158	-	-
Culture/Recreation	485,382	46,144	-	-
Interest/Fiscal Charges on Long-term Debt	1,200,327	-	-	-
Total Governmental Activities	24,354,684	7,456,020	80,639	163,816
Business-type Activities:				
Utilities	12,131,430	12,759,371	-	1,652,097
Stormwater	629,842	749,313	-	2,521,041
Solid Waste	3,275,477	3,409,021	-	-
Municipal Marina	2,243,049	2,343,213	-	4,530
Visitor Information Center	3,605,840	2,824,963	-	169,962
Total Business-type Activities	21,885,638	22,085,881	-	4,347,630
Total Primary Government	\$ 46,240,322	\$ 29,541,901	\$ 80,639	\$ 4,511,446

General Revenues:

Property Taxes
Utility Taxes
Communication Service Taxes
Franchise Fees
State Revenue Sharing, Unrestricted
Local Option Gas Taxes
Local Option Sales Taxes
Insurance Premium Taxes
Other Taxes
Miscellaneous
Investment Income

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning of Year (as restated)

Net Position - End of Year

See accompanying notes to basic financial statements

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (4,389,595)	\$ -	\$ (4,389,595)
(7,144,787)	-	(7,144,787)
(3,300,907)	-	(3,300,907)
(179,355)	-	(179,355)
(439,238)	-	(439,238)
(1,200,327)	-	(1,200,327)
(16,654,209)	-	(16,654,209)
-	2,280,038	2,280,038
-	2,640,512	2,640,512
-	133,544	133,544
-	104,694	104,694
-	(610,915)	(610,915)
-	4,547,873	4,547,873
(16,654,209)	4,547,873	(12,106,336)
8,041,626	-	8,041,626
1,106,723	-	1,106,723
1,079,773	-	1,079,773
1,367,810	-	1,367,810
549,036	-	549,036
486,832	-	486,832
936,377	-	936,377
295,051	-	295,051
107,952	-	107,952
999,107	-	999,107
29,342	51,581	80,923
(13,545,387)	13,545,387	-
1,454,242	13,596,968	15,051,210
(15,199,967)	18,144,841	2,944,874
26,710,923	63,432,707	90,143,630
\$ 11,510,956	\$ 81,577,548	\$ 93,088,504

CITY OF ST. AUGUSTINE, FLORIDA

Balance Sheet

Governmental Funds

September 30, 2013

	General	Debt Service	Special Revenue
ASSETS			
Cash and Cash Equivalents	\$ 9,232,400	\$ -	\$ 4,710
Receivables (Net of Allowance for Uncollectibles)	625,694	-	-
Due from Other Funds	1,270,696	-	-
Due from Other Governments	-	-	-
Inventories, At Cost	592,237	-	-
Prepaid Expenditures	79,694	-	-
Restricted Assets:			
Cash and Cash Equivalents	-	-	-
Total Assets	\$ 11,800,721	\$ -	\$ 4,710
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 1,376,542	\$ -	\$ -
Unearned Revenue	154,324	-	-
Accrued Expenditures	36,043	-	-
Due to Other Funds	-	-	-
Total Liabilities	1,566,909	-	-
Fund Balances:			
Nonspendable:			
Inventories	592,237	-	-
Prepaid Expenditures	79,694	-	-
Trust Funds	-	-	-
Restricted for:			
Police Education/Confiscation/Donations	65,389	-	-
Bond Projects	-	-	-
Committed:	1,206,207	-	4,710
Assigned:	219,170	-	-
Unassigned:	8,071,115	-	-
Total Fund Balances	10,233,812	-	4,710
Total Liabilities and Fund Balances	\$ 11,800,721	\$ -	\$ 4,710

See accompanying notes to basic financial statements

Capital Projects	Permanent	Total Governmental
\$ 2,084,218	\$ 53	\$ 11,321,381
235,103	-	860,797
-	-	1,270,696
-	-	-
-	-	592,237
-	-	79,694
54,406	64,124	118,530
\$ 2,373,727	\$ 64,177	\$ 14,243,335

\$ 137,992	\$ -	\$ 1,514,534
-	-	154,324
-	-	36,043
3,357	348	3,705
141,349	348	1,708,606

-	-	592,237
-	-	79,694
-	63,829	63,829
-	-	65,389
1,135,396	-	1,135,396
1,096,982	-	2,307,899
-	-	219,170
-	-	8,071,115
2,232,378	63,829	12,534,729
\$ 2,373,727	\$ 64,177	\$ 14,243,335

CITY OF ST. AUGUSTINE, FLORIDA
Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Position
September 30, 2013

Total Governmental Fund Balances \$ 12,534,729

*Amounts reported for governmental activities in the Statement of
Net Assets are different because:*

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the governmental funds.

Governmental capital assets	47,310,307	
Less accumulated depreciation	<u>(22,371,933)</u>	
	24,938,374	
		24,938,374

Long-term liabilities, including bonds payable are not due and
payable in the current period and therefore are not reported in the
governmental funds. Long-term liabilities (net of discounts/premiums
and deferred amounts on refunding) at year-end consist of:

Governmental bonds payable	(23,610,083)	
Compensated absences	<u>(2,301,206)</u>	
		(25,911,289)

Net pension assets/obligations and net insurance assets/obligations
are not reported as assets/liabilities of the governmental funds.

Net pension assets (obligations)	484,326	
Net retiree healthcare assets (obligations)	<u>(535,184)</u>	
		(50,858)

Net Position of Governmental Activities	<u>\$ 11,510,956</u>
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See accompanying notes to basic financial statements

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CITY OF ST. AUGUSTINE, FLORIDA
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2013

	General	Debt Service	Special Revenue
REVENUES			
Ad Valorem Taxes	\$ 7,858,737	\$ -	\$ -
Sales, Use and Gas Taxes	781,883	-	-
Utility and Communications Service Taxes	2,186,496	-	-
Grants	212,342	-	-
Intergovernmental	1,631,280	-	182,889
Franchise Fees	1,367,810	-	-
Licenses, Permits and Other Fees	3,331,596	-	-
Fines and Forfeitures	299,368	-	-
Administrative Overhead Charges	2,131,456	-	-
Investment Income	25,472	708	1,086
Miscellaneous	1,984,478	-	-
Total Revenues	21,810,918	708	183,975
EXPENDITURES			
Current Operating:			
General Government	7,461,974	-	-
Public Safety	8,235,598	-	-
Physical Environment	3,635,979	-	-
Transportation	188,283	-	-
Culture/Recreation	477,295	-	-
Capital Outlay	828,358	-	-
Debt Service:			
Principal Retirement	-	392,983	-
Interest and Other	-	1,200,327	-
Total Expenditures	20,827,487	1,593,310	-
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	983,431	(1,592,602)	183,975
OTHER FINANCING SOURCES (USES)			
Transfers In	2,095,709	1,778,557	254,156
Transfers (Out)	(19,997,240)	(185,955)	(433,421)
Issuance of Refunding Bonds	1,576,691		
Bonds Refunded	(197,083)		
Premium Received on Issuance of Refunding Bonds	119,412	-	-
Total Other Financing Sources (Uses)	(16,402,511)	1,592,602	(179,265)
Net Change in Fund Balances	(15,419,080)	-	4,710
Fund Balances - Beginning	25,652,892	-	-
FUND BALANCES - ENDING	\$ 10,233,812	\$ -	\$ 4,710

See accompanying notes to basic financial statements

Capital Projects	Permanent	Total Governmental
\$ -	\$ -	\$ 7,858,737
-	-	781,883
-	-	2,186,496
32,113	-	244,455
-	-	1,814,169
-	-	1,367,810
448,592	-	3,780,188
-	-	299,368
-	-	2,131,456
1,951	125	29,342
221,719	-	2,206,197
704,375	125	22,700,101
1,111,585	-	8,573,559
-	-	8,235,598
-	-	3,635,979
-	-	188,283
-	-	477,295
303,258	-	1,131,616
-	-	392,983
-	-	1,200,327
1,414,843	-	23,835,640
(710,468)	125	(1,135,539)
2,942,846	-	7,071,268
	(39)	(20,616,655)
		1,576,691
		(197,083)
-	-	119,412
2,942,846	(39)	(12,046,367)
2,232,378	86	(13,181,906)
-	63,743	25,716,635
\$ 2,232,378	\$ 63,829	\$ 12,534,729

CITY OF ST. AUGUSTINE, FLORIDA
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund
Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2013

Net Change in Fund Balances - Total Governmental Funds **\$ (13,181,906)**

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of capital and related assets is allocated over their estimated useful lives and reported as depreciation and amortization expense.

Expenditures for capital assets	1,131,616	
Less: current year depreciation and amortization	<u>(1,415,275)</u>	(283,659)

The net effect of various transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.

Cost of capital assets sold or retired net	<u>(81,528)</u>	(81,528)
--	-----------------	----------

Borrowing and repayment of bond principal is either a revenue or an expenditure in the governmental funds, the borrowing and repayment of principal either increases or reduces long-term liabilities in the statement of net assets.

Issuance of new debt	(1,576,691)	
Payment on debt	392,983	
Premium on refunded bond	(119,412)	
Amortization of discount and premium	(45,003)	
Bonds refunded	<u>197,083</u>	(1,151,040)

Government funds do not report negative net pension obligations or net insurance obligations as assets/liabilities of the general fund.

Net pension asset (obligation)	(45,758)	
Net retiree healthcare asset (obligation)	<u>(83,922)</u>	(129,680)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in long-term compensated absences	<u>(372,154)</u>	(372,154)
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Change in Net Position of Governmental Activities	<u><u>\$ (15,199,967)</u></u>
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See accompanying notes to basic financial statements

CITY OF ST. AUGUSTINE, FLORIDA
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
General Fund
For the Year Ended September 30, 2013

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 10,754,223	\$ 10,754,223	\$ 10,827,116	\$ 72,893
Intergovernmental	1,718,027	1,798,991	1,843,622	44,631
Licenses, Permits and Fees	4,556,766	4,643,764	4,699,406	55,642
Fines and Forfeitures	255,500	277,990	299,368	21,378
Administrative Service Charges	2,131,456	2,131,456	2,131,456	-
Investment Income	28,029	28,029	25,472	(2,557)
Miscellaneous	1,790,316	1,907,399	1,984,478	77,079
Total Revenues	21,234,317	21,541,852	21,810,918	269,066
EXPENDITURES				
Current Operating:				
General Government	6,879,434	7,262,798	7,461,974	(199,176)
Public Safety	8,336,885	8,402,355	8,235,598	166,757
Physical Environment	3,844,936	3,827,885	3,635,979	191,906
Transportation	203,000	203,000	188,283	14,717
Culture/Recreation	473,315	478,920	477,295	1,625
Capital Outlay	734,842	934,871	828,358	106,513
Debt Service:				
Bond Issuance Costs	-	-	-	-
Total Expenditures	20,472,412	21,109,829	20,827,487	282,342
Excess of Revenues Over Expenditures	761,905	432,023	983,431	551,408
OTHER FINANCING SOURCES (USES)				
Transfers In	2,049,727	2,379,609	2,095,709	283,900
Transfers (Out)	(2,811,632)	(2,811,632)	(19,997,240) *	(17,185,608)
Issuance of Refunding Bonds	-	-	1,576,691	1,576,691
Bonds Refunded	-	-	(197,083)	(197,083)
Premium Received on Issuance of Refunding Bonds	-	-	119,412	119,412
Total Other Financing Sources (Uses)	(761,905)	(432,023)	(16,402,511)	(15,402,688)
Net Change in Fund Balances	-	-	(15,419,080)	(14,851,280)
Fund Balances - Beginning	25,652,892	25,652,892	25,652,892	-
FUND BALANCES - ENDING	\$ 25,652,892	\$ 25,652,892	\$ 10,233,812	\$ (14,851,280)

* /See Note 8 A. in the accompanying notes to basic financial statements.

See accompanying notes to basic financial statements

CITY OF ST. AUGUSTINE, FLORIDA
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
Special Revenue Fund - Community Redevelopment Agency
For the Year Ended September 30, 2013

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ 179,265	\$ 179,265	\$ 182,889	\$ 3,624
Investment Income	-	-	1,086	1,086
Total Revenues	179,265	179,265	183,975	4,710
EXPENDITURES				
Current Operating:				
General Government	-	-	-	-
Capital Outlay	-	-	-	-
Total Expenditures	-	-	-	-
Excess of Revenues Over Expenditures	179,265	179,265	183,975	4,710
OTHER FINANCING SOURCES (USES)				
Transfers In	254,156	254,156	254,156	-
Transfers (Out)	(433,421)	(433,421)	(433,421)	-
Total Other Financing Sources (Uses)	(179,265)	(179,265)	(179,265)	-
Net Change in Fund Balances	-	-	4,710	4,710
Fund Balances - Beginning	-	-	-	-
FUND BALANCES - ENDING	\$ -	\$ -	\$ 4,710	\$ 4,710

See accompanying notes to basic financial statements

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CITY OF ST. AUGUSTINE, FLORIDA

Statement of Net Position

Proprietary Funds

September 30, 2013

	Utility	Stormwater Drainage	Solid Waste
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 14,025,537	\$ 1,758,460	\$ 1,978,994
Accounts Receivable (Net)	1,759,464	871,905	413,162
Due from Other Funds	-	-	-
Inventories, at Cost	75,215	-	-
Total Current Assets	15,860,216	2,630,365	2,392,156
Non-Current Assets:			
Restricted Assets			
Cash and Cash Equivalents	4,994,135	-	-
Total Restricted Assets	4,994,135	-	-
Property, Plant and Equipment:			
Land and Improvements	1,145,803	-	-
Buildings and Structures	30,941,978	-	333,163
Infrastructure	74,144,319	4,487,329	51,154
Machinery and Equipment	2,847,809	284,337	2,920,630
Construction in Progress	4,680,074	8,508,255	-
Accumulated Depreciation	(45,904,831)	(793,422)	(2,039,483)
Net Property, Plant and Equipment:	67,855,152	12,486,499	1,265,464
Total Non-Current Assets	72,849,287	12,486,499	1,265,464
Total Assets	88,709,503	15,116,864	3,657,620
DEFERRED OUTFLOW OF RESOURCES			
Unamortized Loss on Refunding	618,965	-	-
LIABILITIES			
Current Liabilities:			
Accounts Payable and Accrued Expenses	\$ 1,402,867	\$ 1,027,674	\$ 109,999
Customer Deposits	367,140	-	-
Revenue Bonds Payable, Current Portion	1,985,000	-	-
Unamortized Bond Premium (Discount), Current Portion	230,584	-	-
Unearned Revenues - Other	1,483	-	-
Due to Other Funds	-	-	-
Compensated Absences, Current Portion	14,561	1,580	7,678
Total Current Liabilities	4,001,635	1,029,254	117,677
(Continued)			

See accompanying notes to basic financial statements

Municipal Marina	Visitor Information Center	Total Proprietary
-----------------------------	---	------------------------------

\$ 42,253	\$ 1,534,482	\$ 19,339,726
16,599	19,900	3,081,030
-	-	-
76,626	113,330	265,171
135,478	1,667,712	22,685,927

-	-	4,994,135
-	-	4,994,135

-	-	1,145,803
2,921,408	24,628,061	58,824,610
2,033,708	1,351,926	82,068,436
132,747	24,734	6,210,257
2,539,319	1,359,654	17,087,302
(3,322,463)	(7,068,414)	(59,128,613)
4,304,719	20,295,961	106,207,795
4,304,719	20,295,961	111,201,930
4,440,197	21,963,673	133,887,857
-	1,047,439	1,666,404

\$ 6,847	\$ 24,914	\$ 2,572,301
-	-	367,140
142,832	405,982	2,533,814
(2,771)	46,247	274,060
400	-	1,883
287,031	979,960	1,266,991
3,562	7,583	34,964
437,901	1,464,686	7,051,153

CITY OF ST. AUGUSTINE, FLORIDA
Statement of Net Position
Proprietary Funds
September 30, 2013
(Continued)

	Utility	Stormwater Drainage	Solid Waste
LIABILITIES			
Non-Current Liabilities:			
Revenue Bonds Payable, Less Current Portion	19,815,000	-	-
Unamortized Bond Premium (Discount), Less Current Portion	1,897,789		
Compensated Absences, Less Current Portion	329,781	30,740	101,759
Total Non-Current Liabilities	22,042,570	30,740	101,759
Total Liabilities	26,044,205	1,059,994	219,436
NET POSITION			
Invested in Capital Assets, Net of Related Debt	46,055,152	12,486,499	1,265,464
Restricted			
Renewal and Replacement	4,304,597	-	-
Other	689,538	-	-
Unrestricted	12,234,976	1,570,371	2,172,720
Total Net Position	\$ 63,284,263	\$ 14,056,870	\$ 3,438,184

See accompanying notes to basic financial statements

Municipal Marina	Visitor Information Center	Total Proprietary
321,152	22,793,055	42,929,207
(7,620)	1,468,719	3,358,888
79,234	95,951	637,465
392,766	24,357,725	46,925,560
830,667	25,822,411	53,976,713
3,840,735	(2,903,076)	60,744,774
-	-	4,304,597
-	-	689,538
(231,205)	91,777	15,838,639
\$ 3,609,530	\$ (2,811,299)	\$ 81,577,548

CITY OF ST. AUGUSTINE, FLORIDA
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
September 30, 2013

	Utility	Stormwater Drainage	Solid Waste
OPERATING REVENUES			
User Charges	\$ 11,323,802	\$ -	\$ 3,382,345
Fees	1,085,707	749,313	16,501
Rental	-	-	-
Other	-	-	-
Total Operating Revenues	12,409,509	749,313	3,398,846
OPERATING EXPENSES			
Salaries, Wages and Employee Benefits	3,442,241	202,337	910,432
Utilities	647,128	703	6,556
Supplies and Materials	786,495	7,569	251,788
Contractual Services	733,498	101,591	1,154,551
Repairs and Maintenance	852,709	24,301	226,076
Cost of Goods Sold	-	-	-
Other	170,991	17,815	1,918
Administrative Overhead Charges	1,590,628	112,436	294,333
Depreciation and Amortization	2,917,635	163,090	255,566
Total Operating Expenses	11,141,325	629,842	3,101,220
Operating Income (Loss)	1,268,184	119,471	297,626
NON-OPERATING REVENUES (EXPENSES)			
Investment Income	37,913	7,427	1,617
Interest Expense and Fiscal Charges	(642,606)	-	-
Gain on Sale of Capital Assets	37,868	-	10,175
Bond Costs	(347,499)	-	-
Other	311,994	-	(174,257)
Total Non-Operating Revenues (Expenses)	(602,330)	7,427	(162,465)
Income Before Contributions and Transfers	665,854	126,898	135,161
Capital Contributions	1,652,097	2,521,041	-
Transfers In	8,807,385	3,688,875	15,000
Transfers (Out)	(904,899)	(223,336)	(91,503)
Change in Net Position	10,220,437	6,113,478	58,658
Net Position - Beginning , as restated	53,063,826	7,943,392	3,379,526
Net Position - Ending	\$ 63,284,263	\$ 14,056,870	\$ 3,438,184

See accompanying notes to basic financial statements

Municipal Marina	Visitor Information Center	Total Proprietary
\$ 2,283,739	\$ 404,098	\$ 17,393,984
-	2,184,792	4,036,313
33,195	64,695	97,890
26,279	-	26,279
2,343,213	2,653,585	21,554,466
581,103	613,116	5,749,229
82,458	105,174	842,019
12,166	30,476	1,088,494
4,208	218,396	2,212,244
58,372	55,074	1,216,532
1,163,244	201,072	1,364,316
107,435	46,760	344,919
79,642	54,417	2,131,456
110,777	889,595	4,336,663
2,199,405	2,214,080	19,285,872
143,808	439,505	2,268,594
3,555	1,069	51,581
(43,644)	(1,130,992)	(1,817,242)
-	-	48,043
-	(260,768)	(608,267)
-	171,378	309,115
(40,089)	(1,219,313)	(2,016,770)
103,719	(779,808)	251,824
4,530	169,962	4,347,630
2,527,031	433,421	15,471,712
(173,349)	(533,238)	(1,926,325)
2,461,931	(709,663)	18,144,841
1,147,599	(2,101,636)	63,432,707
\$ 3,609,530	\$ (2,811,299)	\$ 81,577,548

CITY OF ST. AUGUSTINE, FLORIDA
Statement of Cash Flows
Proprietary Funds
September 30, 2013

	Utility	Stormwater Drainage	Solid Waste
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
Cash Flows from Operating Activities:			
Received from Customers	\$ 12,264,971	\$ 115,621	\$ 3,350,517
Payment to Suppliers for Goods and Services	(5,229,007)	(803,003)	(1,881,020)
Paid to Employees	(3,442,241)	(202,337)	(910,432)
Paid to Customers for Deposit Refunds	-	-	-
Other revenues (expenses)	311,994	-	(174,257)
Net Cash Flows from Operating Activities	3,905,717	(889,719)	384,808
Cash Flows from Capital and Related Financing Activities:			
Principal Paid on Outstanding Bond Issues	(2,085,000)	-	-
Interest Paid on Outstanding Bond Issues	(754,260)	-	-
Acquisition and Construction of Capital Assets	(5,403,295)	(4,584,199)	(453,785)
Proceeds from sale of assets	94,684	-	152,410
Bond Premium Payment	1,501,922	-	-
Bond Borrowings	3,376,167	-	-
Bond Costs	(347,499)	-	-
Capital Contributions and Grants	1,652,096	2,521,041	-
Net Cash Flows from Capital and Related Financing Activities	(1,965,185)	(2,063,158)	(301,375)
Cash Flows from Investing Activities:			
Investment Income	37,913	7,427	1,617
Net Cash Flows from Investing Activities	37,913	7,427	1,617
Cash Flows from Non-Capital Financing Activities:			
Receipts Under Interfund Loan Agreements	-	-	208,000
Payments Under Interfund Loan Agreements	(8,021,125)	(3,688,875)	-
Transfers from Other Funds	8,807,385	3,688,875	15,000
Transfers (to) Other Funds	(904,899)	(223,336)	(91,503)
Net Cash Flows from Non-Capital Financing Activities	(118,639)	(223,336)	131,497
Net Change in Cash and Cash Equivalents	1,859,806	(3,168,786)	216,547
Cash and Cash Equivalents at Beginning of Year	17,159,866	4,927,246	1,762,447
Cash and Cash Equivalents at End of Year	\$ 19,019,672	\$ 1,758,460	\$ 1,978,994

(Continued)

See accompanying notes to basic financial statements

Municipal Marina	Visitor Information Center	Total Proprietary
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\$ 2,515,584	\$ 2,654,371	\$ 20,901,064
(1,530,334)	(714,230)	\$ (10,157,594)
(581,103)	(613,116)	\$ (5,749,229)
-	-	\$ -
-	171,378	\$ 309,115

404,147	1,498,403	5,303,356
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(134,511)	(722,506)	(2,942,017)
(19,514)	(1,118,594)	(1,892,368)
(2,491,288)	(1,089,110)	(14,021,677)
-	-	247,094
-	-	1,501,922
-	1,209,345	4,585,512
-	(260,768)	(608,267)
4,530	169,962	4,347,629

(2,640,783)	(1,811,671)	(8,782,172)
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3,555	1,067	51,579
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3,555	1,067	51,579
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269,590	1,400,000	1,877,590
(2,500,000)	(689,769)	(14,899,769)
2,527,031	433,421	15,471,712
(173,349)	(533,238)	(1,926,325)

123,272	610,414	523,208
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(2,109,809)	298,213	(2,904,030)
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2,152,062	1,236,269	27,237,890
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\$ 42,253	\$ 1,534,482	\$ 24,333,861
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CITY OF ST. AUGUSTINE, FLORIDA
Statement of Cash Flows
Proprietary Funds
September 30, 2013
(Continued)

	Utility	Stormwater Drainage	Solid Waste
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES			
Net Operating Income	\$ 1,268,184	\$ 119,471	\$ 297,626
Adjustments to Reconcile Net Operating Income to Net Cash Flows from Operating Activities:			
Depreciation and Amortization	2,917,635	163,090	255,566
Provision for Uncollectible Accounts	50,000	4,000	15,500
Other revenues (expenses)	311,994	-	(174,257)
Changes in Operating Assets and Liabilities:			
Accounts Receivable	(168,764)	(547,929)	(48,329)
Inventories	(49,521)	-	-
Accounts Payable and Compensated Absences	(448,037)	(542,588)	38,702
Deposits Payable	22,823	-	-
Deferred Revenues	1,403	(85,763)	-
Total Adjustments	<u>2,637,533</u>	<u>(1,009,190)</u>	<u>87,182</u>
Net Cash Flows from Operating Activities	<u>\$ 3,905,717</u>	<u>\$ (889,719)</u>	<u>\$ 384,808</u>

Non-Cash Transactions (transactions/amounts not included in the Statement of Cash Flows):

Amortization of unamortized refunding gain to interest expense \$74,537

Invoices for capital acquisitions included in accounts payable at year end totaling \$582,835

Bond principle payments paid through refinancing totaling \$30,716,747

See accompanying notes to basic financial statements

Municipal Marina	Visitor Information Center	Total Proprietary
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\$ 143,808 \$ 439,505 \$ 2,268,594

110,777	889,595	4,336,663
-	-	69,500
-	171,378	309,115

172,413	1,044	(591,565)
24,744	10,130	(14,647)
(47,553)	(12,991)	(1,012,467)
-	(258)	22,565
(42)	-	(84,402)

260,339	1,058,898	3,034,762
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\$ 404,147 \$ 1,498,403 \$ 5,303,356

CITY OF ST. AUGUSTINE, FLORIDA
Statement of Fiduciary Net Position
Fiduciary Funds
September 30, 2013

	Employee Retirement Funds
ASSETS	
Cash and Short-Term Investments	\$ 2,280,435
Receivables:	
Member Contributions	21,939
City Contributions	83,256
Interest and Dividends	141,318
Broker-dealers	66,851
Due from State	28,658
Total Receivables	<u>342,022</u>
Prepaid Expense	577
Investments, at Fair Value:	
U.S. Government Obligations Fund	4,928,465
U.S. Stock Fund	27,857,286
Mutual Fund - International Equity	3,075,652
Bond and Mortgage Fund	9,257,563
International Exchange Fund	969,113
Real Estate Fund	4,247,448
Total Investments	<u>50,335,527</u>
Total Assets	<u>52,958,561</u>
LIABILITIES	
Expenses Payable	<u>87,393</u>
Total Liabilities	<u>87,393</u>
NET POSITION	
Held in Trust for Pension Benefits and Other Purposes	<u><u>\$ 52,871,168</u></u>

See accompanying notes to basic financial statements

CITY OF ST. AUGUSTINE, FLORIDA
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended September 30, 2013

	Employee Retirement Funds
ADDITIONS	
Contributions:	
Members	\$ 564,834
City	2,162,606
State Insurance Premium Tax from General Fund	323,708
Total Contributions	3,051,148
Investment Income:	
Net Decrease in Fair Value of Investments	5,069,088
Interest and Dividends on Investments	1,264,175
Total Investment Income	6,333,263
Less Investment Expenses	309,373
Net Income from Investing Activities	6,023,890
Total Additions	9,075,038
DEDUCTIONS	
Benefit Payments	2,894,858
Termination Payments	143,819
Administrative Expenses	112,943
Total Deductions	3,151,620
Change in Net Position	5,923,418
Net Position - Beginning	46,947,750
NET POSITION - ENDING	\$ 52,871,168

See accompanying notes to basic financial statements

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CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The City of St. Augustine, Florida (the City), was established in 1925, by Special Legislative Act 11148 of the Florida Legislature. The City operates under a commission-manager form of government and provides the following services as authorized by its charter: General Government, Public Safety, Public Works, Public Utilities, Culture, Recreation, and Community Development.

The accounting and reporting policies of the City relating to the funds included in the Basic Financial Statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principals prescribed by the Government Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governments* and by the Financial Accounting Standards Board (when applicable).

A. Financial Reporting Entity

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City of St. Augustine, Florida, and its fiduciary funds. The fiduciary funds discussed here are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

The City currently has separate and distinct defined benefit pension plans for the City's general employees, police officers and firefighters. These plans are legally separate from the City and are governed by board members who are both elected by their peers and appointed by the City Commission. For financial reporting purposes, these plans are reported as if they were part of the City's operations as the sole purpose of the plans are to provide retirement benefits for the City's employees. These plans have separately issued financial statements that can be obtained through the City Clerk's office.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the City. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expense of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect costs are included in the program expense reported for individual functions and activities. Program revenues include charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment, and grants and contributions that are restricted to meeting the operational and capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major proprietary funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the fiscal period. Expenditures are generally recorded when the liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

Taxes, intergovernmental revenue, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

Since the fund level statements for governmental activities are presented using a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented on the page following governmental fund level statements. The reconciliation briefly explains the adjustments necessary to convert the fund level statements into the government-wide governmental column presentations.

The City reports the following funds:

Major Governmental Funds

Governmental Funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The General Fund and Special Revenue Fund have legally adopted annual budgets. The following are the City's major governmental funds:

a. General Fund

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. Resources are generated primarily from local property and utility services taxes, franchises, licenses, permits and fees, intergovernmental revenues and charges for services. Expenditures are incurred to provide public safety, general government, public works, parks and recreation services.

b. Special Revenue Fund

The Special Revenue Fund is used to account for specific revenues that are legally restricted to expenditures for particular purposes. The Special Revenue Fund used by the City is the Community Redevelopment Agency Fund. This fund was established by ordinance in 2000 to assist the City in redeveloping the Historic Area Community Redevelopment Area (HACRA), a blighted transportation and parking geographical area principally located in the historic downtown area.

c. Capital Project Fund

The Capital Project Fund is used to account for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds). The principal sources of revenue are bond issue proceeds and transfers from the General Fund.

d. Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal and interest of the governmental funds.

e. Permanent Fund

The Permanent Fund includes the Anderson and Woodman Trust Funds and accounts for assets held by the City as a trustee for individuals.

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Major Proprietary Funds

Proprietary Funds are used to account for activities that are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses, and payments relating to the government's business activities are accounted for through proprietary funds. Proprietary funds used by the City are:

a. Utility Fund

The Utility Fund accounts for the operation, maintenance and construction of the City-owned water and sewer system.

b. Stormwater Drainage Fund

The Stormwater Drainage Fund accounts for the operation, maintenance and construction of the City-owned stormwater drainage system.

c. Solid Waste Fund

The Solid Waste Fund accounts for the operation and maintenance of the City-owned solid waste pick-up and disposal service.

d. Municipal Marina Fund

The Marina Fund accounts for operations and maintenance of the City-owned Municipal Marina facilities.

e. Visitor Information Center

The Visitor Information Center Fund accounts for the operations and maintenance of the City-owned Visitor Information Center and Historic Downtown Parking Facility.

Fiduciary Funds

Fiduciary Funds are used to account for assets held by the City as a trustee or agent. Fiduciary Funds used by the City are:

a. General Employees' Pension Plan

The General Employees' Pension Plan accounts for the contributions of the general employees and the City, along with the benefits paid to the retired participants of the plan.

b. Police Officers' Pension Plan

The Police Officers' Pension Plan accounts for the contributions of the police officer employees, the City and the State of Florida, along with the benefits paid to the retired participants of the plan.

c. Firefighters' Pension Plan

The Firefighters' Pension Plan accounts for the contributions of the firefighter employees, the City and the State of Florida, along with benefits paid to the retired participants of the plan.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are administration overhead charges between the general fund and the funds benefited. Elimination of these charges would distort the direct costs for the various functions concerned.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's proprietary funds are charges to customers for goods and services. Operating expenses for the proprietary funds include the cost of sales and services,

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed.

The budget is prepared on a GAAP basis. The legal level of control for budget variations is at the fund level. However, actual spending can exceed the appropriated amount of the fund to the extent revenues exceed the fund's adopted budget.

D. Cash and Cash Equivalents

The City pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash account is available to meet current operating requirements. Cash in excess of current requirements is invested with the State Board of Administration (SBA) Pool and two fully collateralized investment accounts with qualified public depositories. All of these investments are considered cash equivalents due to their liquidity and similarity to cash.

E. Investments

Investments within the Pension Trust Funds are made through financial brokers and are held by trustees. These assets are stated at fair value as determined in an active market.

F. Receivables and Allowance for Uncollectible Accounts

All receivables are reported at gross value and, where appropriate, are reduced by the portion that is expected to be uncollectible. Estimated unbilled revenues from the Utility, Stormwater and Solid Waste Funds are recognized at the end of each fiscal year on a pro rata basis. The estimated amount is based on billings during the month following the close of the year. Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are classified as "due to/due from other funds".

G. Inventories

Inventories held by the General Fund are valued at cost using the first-in/first-out (FIFO) method. Because the consumption method is used, the inventory items are recorded as expenditures at the time they are withdrawn from central stores. The inventory value has been recorded as an asset, offset by a reserve in an equal amount. Inventories in the Proprietary Funds are valued at the lower of cost (using FIFO method) or market. Inventories of these funds are expensed as used.

H. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The consumption method is used for these items.

I. Restricted Assets

These assets consist of cash restricted for debt service, construction, renewal and replacement, and customer deposits (See Note 2).

J. Capital Assets

Capital outlays are recorded as expenditures in the Governmental Fund Financial Statements, and as assets in the Government-wide Financial Statements to the extent the City's capitalization threshold of \$5,000 is met. In accordance with GASB Statement No. 34, infrastructure has been capitalized. Infrastructure consists primarily of

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

streets, curbs and sidewalks. Depreciation is recorded on general capital assets (except for land and construction in progress) on a government-wide basis using the straight-line method over the following estimated useful lives:

Buildings	30 years
Furniture and Other Equipment	3-20 years
Infrastructure	20-50 years

To the extent the City's capitalization threshold of \$5,000 is met, capital outlays of the Proprietary Funds are recorded as capital assets and depreciated over their estimated useful lives on a straight-line basis on both the fund basis and the government-wide basis using the following estimated useful lives:

Buildings	10-50 years
Furniture and Other Equipment	2-10 years
Infrastructure & Improvements	10-40 years

All capital assets were valued at historical cost or estimated historical cost if actual cost was not available. Donated capital assets are valued at their estimated fair market value on the date donated. The City does not capitalize historical treasures or works of art. The City maintains many items and buildings of historical significance. The City does not require the proceeds from the sale of historical treasures or works of art be used to acquire other items for the collection.

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenses that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations in the government-wide financial statements.

K. Deferred Inflows/Outflows of Resources

Deferred outflows of resources represent the consumption of net position that is applicable to a future reporting period. Deferred outflows have a positive effect on net position, similar to assets. Currently, the City only reports deferred outflows of resources for the difference between the net reacquisition cost of new debt and the net carrying amount of old debt. This refunding loss is amortized to expense over the remaining term of the new debt using the straight-line method. Deferred inflows of resources represent the acquisition of net position that is applicable to a future reporting period. Deferred inflows have a negative effect on net position, similar to liabilities. Currently, the City only reports deferred inflows of resources in governmental funds when receivables have been recorded for revenues that are not considered to be available to liquidate liabilities of the current period.

L. Compensated Absences

Annual vacation leave is accumulated in the following manner:

General, Municipal & Police Employees:	80 hours per year with 5 years or less, 88 hours with 6 years, 96 hours with 7 years, 104 hours with 8 years, 112 hours with 9 years, 120 hours with 10 to 15 years, 128 hours with 16 years, 136 hours with 17 years, 144 hours with 18 years, 152 hours with 19 years, maximum per employee is 160 hours with 20 or more years of service.
Fire Department Employees:	120 hours per year with 5 years of less, 156 hours with 6 years, 165 hours with 7 years, 174 hours with 8 years, 183 hours with 9 years, 192 hours with 10 to 15 years, 216 hours with 16 years, 228 hours with 17 years, 241 hours with 18 years, maximum per employee is 252 hours with 20 or more years of service.

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Sick leave is available to be paid at termination, retirement, or resignation as follows:

General and Municipal Employees:	80 hours per year, no maximum
Police Department Employees:	80 hours per year, no maximum
Fire Department Employees:	112 hours per year, no maximum

The City has accrued for sick and vacation leave earned but unused at year end. This accrual was based on unused sick and vacation hours available to employees as maintained by the City's payroll system and as multiplied by each eligible employees individual hourly pay rate. Liquidation of the accrued sick and vacation leave has historically come from the general fund.

M. Other Post-Employment Benefits (OPEB)

Pursuant to Section 112.0801, Florida Statutes, the City is mandated to permit participation in the health insurance program by retirees and their eligible dependents at a cost to the retiree that is no greater than the cost at which coverage is available for active employees. The rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the Plan on average than those of active employees. The City currently provides these benefits in accordance with the vesting and retirement requirements for its employees.

The City is financing the post employee benefits on a pay-as-you-go basis. As determined by an actuarial evaluation, the City records a net OPEB obligation in its government-wide financial statements related to the implicit and explicit subsidy. See Note 10 for further information.

N. Long-Term Obligations

In the government-wide financial statements, governmental long-term debt and other governmental long-term obligations are reported as liabilities in the governmental activities column of the Statement of Net Assets. Long-term debt and other long-term obligations of the proprietary funds are reported as liabilities in the business-type activities column of the Statement of Net Assets and the appropriate proprietary fund in the fund level statements.

O. Unamortized Bond Premium (Discount)

Unamortized bond premium (discount) represent the amount received above or below par on various bond issues. These costs are being amortized over the life of the respective bond issues using the straight-line method, which is comparable to the effective interest method. Unamortized costs at September 30, 2013 are as follows:

	Original Cost	Accumulated Amortization	Unamortized Costs
Beginning of year	\$ 2,348,411	\$ (2,856,233)	\$ (507,822)
Current year additions	3,853,634	(209,760)	3,643,874
Current year retirements	(2,920,691)	2,920,691	-
End of year	<u>\$ 3,281,354</u>	<u>\$ (145,302)</u>	<u>\$ 3,136,052</u>

P. Fund Balance Classifications

Reserves

In fiscal year 2011, the City Commission implemented GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* by adopting a fund balance policy. GASB No. 54 provides more clearly defined fund balance categories to make the nature and extent of the constraints place on a government's fund balances more transparent. This policy establishes the Commission as the body authorized to assign amounts to these categories. The following classifications describe the relative strength of the spending constraints.

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Nonspendable Fund Balance – amounts that are not in spendable form (such as inventory and pre-paid items) or are required to be maintained intact.

Restricted Fund Balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government) through constitutional provisions, or by enabling legislation.

Committed Fund Balance – amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City Ordinance or Resolution). To be reported as committed, amounts cannot be used for any purpose unless the City takes the same highest level action to remove or change the constraint.

Assigned Fund Balance – amounts the City intends to use for a specific purpose. Intent can be expressed by the City Commission or by an official or body to which the City Commission delegates authority.

Unassigned Fund Balance – amounts that are available for any purpose.

When both restricted and unrestricted resources are available for use, it is the City's practice to use restricted resources first, then unrestricted resources as needed. When unrestricted resources (committed, assigned and unassigned) are available for use in any governmental fund, it is the City's practice to use committed resources first, then assigned, and then unassigned as needed.

The City Commission establishes (and modifies and rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget documentation as a commitment of the fund. Assigned fund balance is established by the City Commission through adoption or amendment of the budget as intended for specific purposes (such as the purchase of capital assets, construction, debt service or other purposes).

In 2013, the City Commission adopted a Resolution establishing a stabilization arrangement. This Resolution is in compliance with the Governmental Accounting Standards Board's issued Statement No. 54, *Fund Balance Report and Governmental Fund Type Definitions*. It establishes a minimum Committed Fund Balance in the General Fund Reserve in an amount equal to no less than 33.33% percent (four months') of the City's budgeted general operating revenues as the emergency reserve level.

Q. Revenue Recognition – Property Taxes

Property tax revenue is recognized when it becomes available and measurable. Property taxes, under Florida law, levied on November 1 by the County Tax Appraiser and collected by the County Tax Collector become a lien on November 1.

The law allows a four percent discount if paid in November, a three percent discount if paid in December, a two percent discount if paid in January, and a one percent discount if paid in February. Taxes become delinquent on April 1 of each year. Delinquent real estate taxes are advertised during the month of May. Tax certificates are sold on May 30, at a public sale, against property on which the current taxes have not been paid. If not redeemed within two years, the property will be subject to an application for tax deed.

In accordance with National Council on Governmental Accounting (NCGA) Interpretation 3, property taxes that are measurable but not available are reported as deferred revenue. The deferred revenues are recognized in the fiscal year in which they become available. The City had no taxes subject to this deferral at year-end.

R. Expenditures

Expenditures are recognized when the related fund liability is incurred. Inventory costs are reported in the period when inventory items are used, rather than in the period purchased. The General Fund provides administrative services and incurs overhead costs relating to the Proprietary Funds an administrative overhead charge, which is included in direct expenses.

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

S. New Accounting Pronouncements

During the year, the City implemented GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* (GASB 62). This standard incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance included in FASB pronouncements, which does not conflict with or contradict GASB pronouncements, and eliminates the criteria to apply post-November 30, 1989 pronouncements that do not conflict or contradict GASB pronouncements.

During the year, the City implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (GASB 63). This standard establishes a new statement of net position format that reports separately all assets, deferred outflows of resources, liabilities, deferred inflows or resources, and net position (which is the residual amount of the other elements). This Statement requires deferred outflows of resources and deferred inflows of resources to be reported separately from assets and liabilities. In addition, the terminology used in the financial statements changed from "Net Assets" to "Net Position", including changing the name of the government-wide financial statement from "Statement of Net Assets" to "Statement of Net Position".

During the year, the City early implemented GASB No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65), which amends or supersedes the accounting and financial reporting guidance for certain items previously required to be reported as assets or liabilities. The objective is to either properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses) or inflows of resources (revenues). Under GASB 65, bond issuance costs will now be expensed when incurred, instead of being amortized over the term of the bond. As such, the implementation of GASB 65 resulted in a reduction of beginning net position in the Business-Type Activities of \$723,436, of which \$322,429 was reported in the Utility Fund, \$37,212 was reported in the Municipal Marina Fund and \$363,795 was reported in the Visitor Information Fund. The resulting affect in the Governmental Activities was a reduction of beginning net position of \$375,865.

NOTE 2. DEPOSITS AND INVESTMENTS:

A. Cash and Cash Equivalents

The City maintains a cash and investment pool that is designed for use by all funds. For the purposes of cash flows, the City considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. In addition, investments are separately held and accounted for by several of the City's funds where contractual agreements and bond covenants provide for and require such arrangements.

At September 30, 2013, the carrying amount of cash on hand was \$1,546,199 and the related bank balance was \$1,840,935. Monies, which are placed on deposit with financial institutions in the form of demand deposit accounts, are defined as Public Deposits and as such are secured as provided for in Chapter 280, Florida Statutes. Financial institutions, which meet the requirements for this chapter, can be designated as qualified public depositories eligible to receive Public Deposits. This chapter also created the Public Deposit Security Trust Fund to facilitate the recovery of administrative penalties resulting from the default or insolvency of any qualified Public Depository and the subsequent payment of any losses to Public Depositors. When Public Deposits are made in accordance with this statute, no Public Depositor shall be liable for any loss thereof. Thus, all deposits at year-end are insured or collateralized with securities pursuant to Chapter 280, Florida Statutes.

State Statutes govern the City's investment policies. The basic allowable investment instruments include the Local Government Surplus Funds Trust Fund (State Board); Securities and Exchange Commission (SEC) registered money market funds with the highest credit quality rating; interest-bearing time deposits or savings accounts in qualified public depositories; direct obligations of the United States Treasury; Federal agencies and instrumentalities; other investments authorized by law or ordinance for a county or municipality.

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2013

NOTE 2. DEPOSITS AND INVESTMENTS: (continued)

The State Board consists of the Local Government Surplus Trust Fund (Florida PRIME) and the Fund B Surplus Funds Trust Fund (Fund B). The Florida PRIME is currently considered a SEC 2a7-like fund, thus the account balance should also be considered the fair value of the investment. Florida PRIME is rated by Standard & Poor's and currently has a rating of AAAm. The Florida PRIME balance of \$29,041,744 had a weighted average of 86.8 days to maturity as of September 30, 2013. The Fund B is accounted for as a fluctuating net asset value (NAV) pool. The Fund B is not rated by any nationally recognized statistical rating agency. The book value of the City's Fund B investment was \$304,954, while the fair value was \$345,398 and had a weighted average life of 4.04 years as of September 30, 2013. A government money market account with a qualified public depository was established by the City in 2008. This account is fully collateralized and held a balance of \$751,362 as of September 30, 2013. A second account with a qualified public depository was established by the City in 2009. This account is fully collateralized and held a balance of \$4,032,419 as of September 30, 2013.

B. Investments – General Pension Plan

Interest Rate Risk

The General Pension Plan Investment Policy limits interest rate risk by limiting the fixed-income portfolio duration to less than 135% of the market index duration, including investments in government issues, corporate bonds with an average rating of A or higher and/or Government National Mortgage Association pooled obligations. There may be exceptional circumstances indicating the use of longer maturities, but these exceptions should be few. As of September 30, 2013, the General Employee's Pension Plan had the following investments and maturities:

Investment Type	Fair Value	Investment Maturies (in Years)			
		Less Than 1	Between 1 and 5	Between 6 and 10	More Than 10
U.S. Treasury Obligations	\$ 125,431	\$ -	\$ -	\$ 125,431	\$ -
U.S. Government Agencies	1,417,719	-	-	384,117	1,033,602
Corporate & Foreign Bonds	3,278,524	46,462	1,075,146	1,331,446	825,470
Municipal Obligations	307,079	25,648	281,431	-	-
Common Equity Securities	15,692,874	15,692,874	-	-	-
Equity Mutual Funds	3,725,092	3,725,092	-	-	-
Real Estate	2,334,722	-	-	-	2,334,722
	<u>\$ 26,881,441</u>	<u>\$ 19,490,076</u>	<u>\$ 1,356,577</u>	<u>\$ 1,840,994</u>	<u>\$ 4,193,794</u>

Credit Risk and Concentration of Credit Risk

Excessive concentration of assets will be avoided. Excessive Concentration is defined as having more than five percent on a cost basis of the equity portfolio in any single common stock or having more than five percent on a cost basis of the portfolio in fixed-income securities of one specific issue, with the exception of the securities of the U.S. Government and its agencies and high quality market funds, as stated in the plan's investment policy.

Foreign Currency

Investment in Foreign Securities is allowed under the investment plan; however, not more than twenty-five percent of the total fund market value may be invested in foreign securities.

C. Investments – Police Pension Plan

Interest Rate Risk

The Police Pension Plan Investment Policy limits fixed income securities to 135% of the duration of the market index, including investments in government issues, corporate bonds having an average quality rating of A or higher and/or securities issued by a corporation organized under the laws of the United States, any state or

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2013

NOTE 2. DEPOSITS AND INVESTMENTS: (continued)

organized territory of the United States, or the District of Columbia. There may be exceptional circumstances indicating the use of longer maturities, but these exceptions should be few. As of September 30, 2013, the Police Officer's Pension Plan had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	Between 1 and 5	Between 6 and 10	More Than 10
U.S. Government Agencies	\$ 346,831	\$ -	\$ 112,443	\$ 60,009	\$ 174,379
Corporate & Foreign Bonds	2,744,619	282,066	698,604	569,554	1,194,395
Municipal Obligations	18,956	-	-	-	18,956
Common Equity Securities	8,566,869	8,566,869	-	-	-
Real Estate	1,912,726	-	-	-	1,912,726
	<u>\$ 13,590,001</u>	<u>\$ 8,848,935</u>	<u>\$ 811,047</u>	<u>\$ 629,563</u>	<u>\$ 3,300,456</u>

Credit Risk and Concentration of Credit Risk

Excessive concentration of assets will be avoided. Excessive Concentration is defined as having more than five percent on a cost basis of the total portfolio in any single common stock or having more than five percent on a cost basis of the portfolio in fixed-income securities of one specific issue, with the exception of the securities of the U.S. Government and its agencies and high quality market funds, as stated in the plan's investment policy.

Foreign Currency

Investment in foreign securities is allowed under the investment plan; however, not more than twenty-five percent of the total fund market value may be invested in foreign securities.

D. Investments – Firefighter Pension Plan

Interest Rate Risk

The Firefighter Pension Plan Investment Policy limits all investments in corporate fixed income securities to those that hold a rating of investment grade or higher. There is no limit imposed on investment in fixed income securities issued directly by the U.S. Government. The Plan limits the effective duration of its investment portfolio through the adoption of the Merrill Lynch Government/Corporate Bond Index bench mark. It is expected that the average duration of the total fixed income portfolio will not exceed 150% of the duration of the Index. As of September 30, 2013, the Firefighter Pension Plan held the following fixed income investments:

Investment Type	% of Fund	Fair Value	Rating	Effective Duration
US Government Agencies	40.3%	\$ 1,599,502	AA	10.0-15.0
Corporate Bonds	40.7%	1,617,936	A	11.0
Domestic fixed income investment fund	10.7%	424,385	BBB-A	2.0-5.0
Temporary Investment Funds	8.3%	330,865	AAA	Daily
	<u>100%</u>	<u>\$ 3,972,688</u>		

Credit Risk and Concentration of Credit Risk

Excessive concentration of assets will be avoided. Excessive concentration is defined as having more than ten percent of the total value of the portfolio being invested in the securities of any single corporate issuer, as stated in the plan's Investment Policy.

Foreign Currency Risk

Investment in foreign securities is allowed under the plan; however, no more than twenty-five percent of the plan's total assets may be invested in foreign securities.

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2013

NOTE 3. ACCOUNTS RECEIVABLE:

Receivables at September 30, 2013, consist of the following:

	Governmental Activities			
	General	Capital Projects	Business-Type Activities	Total
Utility Taxes	\$ 105,807	\$ -	\$ -	\$ 105,807
Accounts	345,645	205,333	2,400,306	2,951,284
Intergovernmental	174,242	29,770	750,224	954,236
Gross Receivables	625,694	235,103	3,150,530	4,011,327
Less: Allowance for Uncollectibles	-	-	69,500	69,500
Total Receivables	\$ 625,694	\$ 235,103	\$ 3,081,030	\$ 3,941,827

NOTE 4. CAPITAL ASSETS:

The following is a summary of the changes in capital assets for the fiscal year ended September 30, 2013:

Governmental Activities

	Balance 10/1/2012	Increases	Decreases	Balance 9/30/2013
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 5,958,730	\$ -	\$ -	\$ 5,958,730
Construction in Progress	1,327,062	336,780	-	1,663,842
Total Capital Assets Not Being Depreciated	7,285,792	336,780	-	7,622,572
Other Capital Assets:				
Buildings	18,442,642	388,315	-	18,830,957
Infrastructure	13,849,109	10,717	-	13,859,826
Furniture and Other Equipment	7,196,841	395,806	595,695	6,996,952
Total Other	39,488,592	794,838	595,695	39,687,735
Less Accumulated Depreciation For:				
Buildings	9,063,447	414,129	-	9,477,576
Infrastructure	6,506,350	421,609	-	6,927,959
Furniture and Other Equipment	5,901,026	579,537	514,165	5,966,398
Total Accumulated Depreciation	21,470,823	1,415,275	514,165	22,371,933
Other Capital Assets, Net	18,017,769	(620,437)	81,530	17,315,802
TOTALS	\$ 25,303,561	\$ (283,657)	\$ 81,530	\$ 24,938,374

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2013

NOTE 4. CAPITAL ASSETS: (Continued)

Construction in progress is composed of the following at September 30, 2013:

San Sebastian River Dredging	\$ 19,053
Fire Station Repairs	19,912
Downtown Improvement District	27,990
Valencia Street Survey & Rehab	314,546
FDOT Traffic Engineering Safety Study	1,282,341
Total	<u>\$ 1,663,842</u>

Business-Type Activities

	Balance 10/1/2012	Increases	Decreases	Balance 9/30/2013
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 1,145,803	\$ -	\$ -	\$ 1,145,803
Construction in Progress	5,817,488	11,844,617	574,804	17,087,301
Total Capital Assets				
Not Being Depreciated	6,963,291	11,844,617	574,804	18,233,104
Other Capital Assets:				
Buildings (restated)*	59,579,178	-	24,600	59,554,578
Infrastructure	79,384,242	2,684,193	-	82,068,435
Furniture and Other Equipment	5,955,530	650,504	395,778	6,210,256
Total Other	144,276,001	3,334,697	420,378	147,833,269
Less Accumulated Depreciation For:				
Buildings (restated)*	22,817,739	1,366,815	32,221	24,152,333
Infrastructure	28,725,548	2,546,112	-	31,271,660
Furniture and Other Equipment	4,199,957	423,736	189,108	4,434,585
Total Accumulated Depreciation	55,100,295	4,336,663	221,329	59,858,578
Other Capital Assets, Net	89,175,706	(1,001,966)	199,049	87,974,691
TOTALS	<u>\$ 96,138,997</u>	<u>\$ 10,842,651</u>	<u>\$ 773,853</u>	<u>\$ 106,207,795</u>

* The cost of buildings and related depreciation at 10/01/2012 increased by \$642,949 which represents capitalized interest amortization applied against cost instead of against depreciation.

Depreciation was allocated to Business-Type Activities as follows:

Utility Fund	\$ 2,917,635
Stormwater Drainage Fund	163,090
Solid Waste Fund	255,566
Municipal Marina Fund	110,777
Visitor Information Center	889,595
Total	<u>\$ 4,336,663</u>

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2013

NOTE 4. CAPITAL ASSETS: (Continued)

Construction in progress is composed of the following at September 30, 2013:

Chlorine Conversion	\$ 39,250
Abbot Tract Water Main	28,490
Fullerwood Neighborhood Water Main	70,152
Menendez & Arricola Water Main	117,495
Magnolia Water Main Improvements	57,564
WWTP Digerster Aerators Replacement	64,337
Basin 22 Sewer Rehab	178,616
WWTP Outfall Repair	4,000
WWTP Wier Gate Installation	60,187
US1 Interconnect & North Tank Improvements	31,460
Matanzas Avenue Water Main	44,509
Drinking Water Facilities Plan	32,160
Hibiscus Street Sewer Repairs	16,428
Lighthouse Area Watermain	637,781
Lincolnvile Watermain Improvements	545,955
LRPO Concentrate Disposal Permitting	188,308
Marina Improvements	2,539,319
North City Watermain	13,865
Palmer/Masters Drive Watermain Replacement	483,693
Riberia Street Phase II Utility	1,376,153
Riberia Street Phase II Stormwater	2,680,226
Sewer Sliplining	13,260
Sea Wall Rehab	5,731,927
Sodium Hypochlorite Expansion	287,000
South Dixie Highway Improvements	96,102
Valencia Street Rehab	203,121
VIC Expansion & Renovation	1,359,654
Volusia Street Watermain	186,289
Total	<u><u>\$ 17,087,301</u></u>

NOTE 5. RISK MANAGEMENT, LITIGATION AND COMMITMENTS:

The City is exposed to various risks of losses related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. A small portion of the risk is covered by commercial insurance. The majority of this risk (Workers Compensation, Property and Liability) is covered through the Florida Municipal Insurance Trust (the "Trust"). The City pays an annual premium to the Trust for its coverage. The premiums are designed to fund the liability risk assumed by the Trust and are based on certain actual exposures and appropriate classifications of each member. The coverage provided for Workers Compensation is \$1,000,000 for each occurrence. Coverage provided for Property and Liability is \$100,000 for each person and \$200,000 for each occurrence. The City also has Specific Excess Coverage of \$1,000,000 through the Trust. There were no claims paid that exceeded coverage in the past three fiscal years. Employee medical benefits are covered by commercial insurance. The City Attorney estimates that the amount of these actual or potential claims against the City as of September 30, 2013, will not materially affect the financial condition of the City. Therefore, the financial statements contain no provision for estimated claims.

At September 30, 2013, the City had outstanding commitments of approximately \$2,308,000 relating to construction contracts.

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2013

NOTE 6. LONG-TERM DEBT:

Governmental Funds

Capital Improvement and Refunding Revenue Bonds, Series 2004:

On October 14, 2004, the City issued Capital Improvement and Refunding Revenue Bonds totaling \$22,155,000 to refund the 1995 Series Revenue Bonds and construct a parking garage and other capital improvements for the City. The Series 2004 Bonds and the interest thereon are secured by and payable solely from (1) Non-Ad Valorem Revenues budgeted and appropriated by the City in accordance with the Resolution and deposited into the Debt Service Fund, and (2) until applied in accordance with the provisions of the Resolution, all monies, including the investments thereof, in the funds and accounts established under the Resolution, with the exception of the Rebate Fund (collectively the "Pledged Funds"). Pursuant to the Resolution, the City covenants and agrees to appropriate in its annual budget, by amendment if necessary, for each Fiscal Year sufficient amounts of Non-Ad Valorem Revenues for the payment of principal of and interest on the Series 2004 Bonds and to make certain other payments required under the Resolution in each such Fiscal Year. Such covenant to budget and appropriate does not create any lien upon or pledge of such Non-Ad Valorem Revenues until such funds are deposited in the Debt Service Fund, nor does it preclude the City from pledging in the future or covenanting to budget and appropriate in the future its Non-Ad Valorem Revenues, nor does it require the City to levy and collect any particular Non-Ad Valorem Revenues, nor does it give the holders of the Series 2004 Bonds a prior claim on the Non-Ad Valorem Revenues as opposed to claims of general creditors of the City. The City does not covenant to maintain any services or programs not maintained or provided by the City including those which generate Non-Ad Valorem Revenues. The Resolution defines Non-Ad Valorem Revenues as all legally available non-ad valorem revenues of the City, which are legally available to make the payments required by the Resolution, but only after provision has been made by the City for payment of services and programs which are for essential public purposes affecting the health, welfare and safety of the inhabitants of the City or which are legally mandated by applicable law. This issuance results in a \$240,599 difference in cash flow requirements with a present value economic gain of \$183,406.

In 2013, the Series 2013 Bonds were issued, in part, to advance refund a portion of the outstanding principal amount of the City's Capital Improvement Refunding Revenue Bonds, Series 2004 maturing on October 1, 2016 and all of the Series 2004 Bonds maturing on October 1, in the years 2017 through and including 2029 and in 2034.

Payment of maturing principal and interest (2.0 percent to 5.0 percent) on these bonds is provided for in the Debt Service Fund. Principal payments are due annually on October 1, and interest payments are due semi-annually on April 1 and October 1. The annual requirement to amortize bonded debt outstanding as of September 30, 2013 is as follows:

Bond Year Ended October 1	Capital Improvements & Current Refunding Series 2004	
	Principal	Interest
2014	\$ 3,783	\$ 793
2015	3,889	661
2016	373	520
2017-2029	-	6,578
2030	11,241	506
	<u>\$ 19,286</u>	<u>\$ 9,058</u>

Capital Improvement Refunding Revenue Bonds, Series 2011B:

On December 28, 2011, the City issued Capital Improvement Refunding Revenue Bonds totaling \$10,440,000. The Bonds are being issued for the purpose of (i) currently refunding all of the City's outstanding Public Service Tax and Guaranteed Entitlement Revenue Refunding and Improvement Bonds, Series 2001, and (ii) paying certain costs of issuance incurred with respect thereto, including the premium for a Municipal Bond Insurance Policy. The proceeds of the Refunded Bonds were used to finance (i) the current refunding of the City's outstanding Public Service Tax and Guaranteed Entitlement Revenue Refunding and Improvement Bonds, Series 1992, (ii) the acquisition,

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2013

NOTE 6: LONG TERM DEBT (continued):

relocation, construction and/or equipping of a parking garage, a fire station and related facilities on different sites of the City and other capital projects of the City, (iii) the capitalization of interest on a portion of the Refunding Bonds, (iv) the purchase of a surety bond to fund the Reserve Account relating to the Refunded Bonds, and (v) the cost of issuance with respect to the Refunded Bonds. This issuance results in an \$814,718 difference in cash flow requirements with a present value economic gain of \$574,623.

Principal payments are due annually on October 1, and interest payments (2.0% to 3.25%) are due semi-annually on April 1 and October 1. The annual requirement to amortize long-term bonded debt outstanding as of September 30, 2013 is as follows:

Bond Year Ended October 1	Capital Improvement Refunding Revenue Bonds Series 2011B	
	Principal	Interest
2014	\$ 392,404	\$ 210,262
2015	398,944	202,439
2016	408,731	194,491
2017	294,263	186,355
2018	300,951	180,470
2019-2023	1,638,508	773,682
2024-2028	1,959,523	451,263
2029-2030	906,195	59,981
	<u>\$ 6,299,519</u>	<u>\$ 2,258,943</u>

Capital Improvement Revenue Bonds, Series 2011:

On April 5, 2011, the City issued Capital Improvement Revenue Bonds, Series 2011, totaling \$16,215,000 for the purpose of (i) financing the acquisition, construction and equipping a portion of the costs of various capital projects located within the City, including without limitation, water and sewer capital projects, stormwater capital projects, transportation capital projects, municipal marina improvements and other municipal capital projects on file with the City and (ii) paying certain costs of issuance incurred with respect thereto.

The interest rate on this bond is 5.75% and the maturity date is October 1, 2041.

Interest payments are due semi-annually on April 1 and October 1. Principal payments will not be made until 2035 at which time principal of \$16,125,000 will be paid down over seven years:

Bond Year Ended October 1	Capital Improvement Revenue Bonds Series 2011	
	Principal	Interest
2014	\$ -	\$ 932,362
2015	-	932,363
2016	-	932,362
2017	-	932,363
2018	-	932,362
Thereafter	16,215,000	18,855,976
	<u>\$ 16,215,000</u>	<u>\$ 23,517,788</u>

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2013

NOTE 6. LONG-TERM DEBT: (Continued)

Capital Improvement and Refunding Revenue Bonds, Series 2013:

On February 15, 2013, the City issued Capital Improvement and Refunding Revenue Bonds totaling \$20,645,000 to advance refund a portion of the outstanding principal amount of the City's Capital Improvement and Refunding Revenue Bonds, Series 2004 maturing on October 1, 2016 and all of the Series 2004 Bonds maturing on October 1, in the years 2017 through and including 2029 and in 2034; and to finance the acquisition, construction and equipping of a portion of the cost of various capital improvement projects located within the City, including without limitation, the Historic Downtown Parking Facility and other municipal capital improvement projects to City facilities and infrastructure on file with the City; and to pay the costs of issuing the Series 2013 Bonds. This issuance results in a \$1,377,123 difference in cash flow requirements with a present value economic gain of \$1,078,678.

Principal payments are due annually on October 1, and interest payments (2.0% to 5.0%) are due semi-annually on April 1 and October 1. The annual requirement to amortize long-term bonded debt outstanding as of September 30, 2013 is as follows:

Bond Year Ended October 1	Capital Improvement Refunding Revenue Bonds, Series 2013	
	Principal	Interest
2014	\$ -	\$ 76,972
2015	-	76,972
2016	3,836	76,972
2017	6,287	76,857
2018	6,447	76,668
2019-2023	39,268	380,089
2024-2028	46,461	372,919
2029-2033	72,035	362,533
2034-2038	753,841	292,878
2039-2041	645,000	65,437
	<u>\$ 1,573,175</u>	<u>\$ 1,858,297</u>

Enterprise Funds

Water and Sewer Revenue Refunding Bonds, Series 2005:

On July 7, 2005, the City issued Water and Sewer Revenue Refunding Bonds, Series 2005, totaling \$21,435,000 for the purpose of providing funds, together with other legally available funds of the City, to (i) refund the City's \$4,245,000 outstanding Water and Sewer Revenue Refunding Bonds, Series 1996, \$11,260,000 outstanding Water and Sewer Revenue Refunding Bonds, Series 1995A, \$365,000 outstanding Water and Sewer Revenue Refunding Bonds, Series 1995B and \$4,240,000 outstanding Water and Sewer Revenue Refunding Bonds, Series 1999 (the "1999 Bonds" and together with the bonds other than the 2005 Bonds described in this sentence, collectively, the "Refunded Bonds"), (ii) finance and reimburse the cost of certain capital improvements to the System and to pay the cost of issuance of the 2005 Bonds. This issuance results in a \$2,562,543 difference in cash flow requirements with a present value economic gain of \$1,068,491.

Proceeds will be used to finance and reimburse the cost of certain capital improvements to the System including, upgrading the waste water treatment facility and water treatment plant expansion. Payment of maturing principal and interest (3.00 percent to 5.00 percent) on these bonds is provided for in the Debt Service Fund.

Principal payments are due annually on October 1, and interest payments are due semi-annually on April 1 and October 1. The annual requirement to amortize bonded debt outstanding as of September 30, 2013 is as follows:

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2013

NOTE 6. LONG-TERM DEBT: (Continued)

Bond Year Ended October 1	Water & Sewer Fund Revenue Bonds, Series 2005	
	Principal	Interest
2014	\$ 570,000	\$ 247,063
2015	590,000	227,113
2016	615,000	201,050
2017	650,000	170,300
2018	675,000	137,800
2019-2021	2,770,000	276,000
	<u>\$ 5,870,000</u>	<u>\$ 1,259,326</u>

Capital Improvement Refunding Revenue Bonds, Series 2011B:

On December 28, 2011, the City issued Capital Improvement Refunding Revenue Bonds totaling \$10,440,000. The Bonds are being issued for the purpose of (i) currently refunding all of the City's outstanding Public Service Tax and Guaranteed Entitlement Revenue Refunding and Improvement Bonds, Series 2001, and (ii) paying certain costs of issuance incurred with respect thereto, including the premium for a Municipal Bond Insurance Policy. The proceeds of the Refunded Bonds were used to finance (i) the current refunding of the City's outstanding Public Service Tax and Guaranteed Entitlement Revenue Refunding and Improvement Bonds, Series 1992, (ii) the acquisition, relocation, construction and/or equipping of a parking garage, a fire station and related facilities on different sites of the City and other capital projects of the City, (iii) the capitalization of interest on a portion of the Refunding Bonds, (iv) the purchase of a surety bond to fund the Reserve Account relating to the Refunded Bonds, and (v) the cost of issuance with respect to the Refunded Bonds. This issuance results in an \$814,718 difference in cash flow requirements with a present value economic gain of \$574,623.

Principal payments are due annually on October 1, and interest payments (2.0% to 3.25%) are due semi-annually on April 1 and October 1. The annual requirement to amortize long-term bonded debt outstanding as of September 30, 2013 is as follows:

Bond Year Ended October 1	Municipal Marina Capital Improvement Refunding Revenue Bonds, Series 2011B	
	Principal	Interest
2014	\$ 142,832	\$ 15,487
2015	152,539	11,006
2016	168,613	5,953
	<u>\$ 463,984</u>	<u>\$ 32,446</u>

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2013

NOTE 6. LONG-TERM DEBT: (Continued)

Bond Year Ended October 1	Visitor Information Center Capital Improvement Refunding Revenue Bonds, Series 2011B	
	Principal	Interest
2014	\$ 54,765	\$ 89,001
2015	48,517	89,505
2016	37,656	90,506
2017	145,737	92,295
2018	149,049	89,380
2019-2023	811,492	383,175
2024-2028	970,477	223,493
2029-2030	448,805	29,706
	<u>\$ 2,666,498</u>	<u>\$ 1,087,061</u>

Water and Sewer Revenue Refunding Bonds, Series 2012:

On December 11, 2012, the City issued Water and Sewer Revenue Refunding Bonds, Series 2012 totaling \$15,930,000, to advance refund a portion of the outstanding principal amount of the City's Water and Sewer Revenue Bonds, Series 2003 maturing on October 1, 2013 and all of the outstanding principal amount maturing on and after October 1, 2014; to finance the costs of certain capital improvements to the City's Water and Sewer System, including without limitation water main and pipeline replacements (\$4,530,000); to pay Assured Guaranty Municipal Corp. a premium for insuring the 2012 Bonds; to purchase for deposit to the Reserve Account, a Reserve Fund Surety Bond issued by Assured securing the 2012 Bonds and certain other bonds issued on a parity with the 2012 Bonds; and to pay the costs of issuing the 2012 Bonds. This issuance results in a \$1,672,283 difference in cash flow requirements with a present value economic gain of \$1,522,648.

Principal payments are due annually on October 1, and interest payments (2.0% to 3.25%) are due semi-annually on April 1 and October 1. The annual requirement to amortize long-term bonded debt outstanding as of September 30, 2013 is as follows:

Bond Year Ended October 1	Water and Sewer Fund Capital Appreciation Bonds, Series 2012	
	Principal	Interest
2014	\$ 1,415,000	\$ 601,875
2015	1,475,000	545,275
2016	1,535,000	486,275
2017	1,595,000	424,875
2018	1,620,000	400,950
2019-2023	8,290,000	1,154,700
Balance September 30, 2013	<u>\$ 15,930,000</u>	<u>\$ 3,613,950</u>

Capital Improvement and Refunding Revenue Bonds, Series 2013:

On February 15, 2013, the City issued Capital Improvement and Refunding Revenue Bonds totaling \$20,645,000 to advance refund a portion of the outstanding principal amount of the City's Capital Improvement and Refunding Revenue Bonds, Series 2004 maturing on October 1, 2016 and all of the Series 2004 Bonds maturing on October 1, in the years 2017 through and including 2029 and in 2034; and to finance the acquisition, construction and equipping of a portion of the cost of various capital improvement projects located within the City, including without limitation, the Historic Downtown Parking Facility and other municipal capital improvement projects to City facilities and infrastructure on file with the City; and to pay the costs of issuing the Series 2013 Bonds. This issuance results in a \$1,377,123 difference in cash flow requirements with a present value economic gain of \$1,078,678.

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2013

NOTE 6. LONG-TERM DEBT: (Continued)

Principal payments are due annually on October 1, and interest payments (2.0% to 5.0%) are due semi-annually on April 1 and October 1. The annual requirement to amortize long-term bonded debt outstanding as of September 30, 2013 is as follows:

Bond Year Ended October 1	Capital Improvement Refunding Revenue Bonds, Series 2013	
	Principal	Interest
2014	\$ -	\$ 780,528
2015	-	780,528
2016	356,164	780,528
2017	583,713	769,843
2018	598,553	752,332
2019-2023	3,645,732	3,459,661
2024-2028	4,313,539	2,793,981
2029-2033	6,687,965	1,829,867
2034-2038	2,341,159	202,122
2039-2041	215,000	21,813
	<u>\$ 18,741,825</u>	<u>\$ 12,171,203</u>

Capital Improvement and Refunding Revenue Bonds, Series 2004:

On October 14, 2004, the City Issued Capital Improvement and Refunding Revenue Bonds totaling \$22,155,000 to refund the 1995 Series Revenue Bonds and construct a parking garage and other capital improvements for the City. Payment of maturing principal and interest (2.00 percent to 5.00 percent) on these bonds is provided for in the Debt Service Fund.

In 2013, the Series 2013 Bonds were issued, in part, to advance refund a portion of the outstanding principal amount of the City's Capital Improvement Refunding Revenue Bonds, Series 2004 maturing on October 1, 2016 and all of the Series 2004 Bonds maturing on October 1, in the years 2017 through and including 2029 and in 2034.

Principal payments are due annually on October 1, and interest payments are due semi-annually on April 1 and October 1. The annual requirement to amortize bonded debt outstanding as of September 30, 2013, is as follows:

Bond Year Ended October 1	Visitor Information Center Capital Improvement & Revenue Refunding Bonds, Series 2004	
	Principal	Interest
2014	\$ 351,217	\$ 73,651
2015	361,111	61,358
2016	34,627	48,268
2017-2029	-	610,597
2030	1,043,759	46,969
	<u>\$ 1,790,714</u>	<u>\$ 840,843</u>

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2013

NOTE 7. CHANGES IN LONG-TERM DEBT:

During the year ended September 30, 2013 the following changes occurred in the City's long-term obligations:

**Primary Government
Governmental Activities**

	Balance 10/1/2012	Increases	Decreases	Balance 9/30/2013	Current Portion
General Long-Term Debt & Obligations					
Capital Improvement and Refunding					
Revenue Bonds	\$ 23,120,355	\$ 1,576,691	\$ 590,067	\$ 24,106,979	\$ 396,096
Accrued Compensated Absences	1,929,052	1,348,290	976,136	2,301,206	86,406
Total General Long-Term Obligations	25,049,407	2,924,981	1,566,203	26,408,185	482,502
Proprietary Fund Long-Term Obligations					
Accrued Compensated Absences	582,938	423,521	334,030	672,429	34,964
Water and Sewer Revenue Bonds	20,508,832	15,930,000	14,638,832	21,800,000	1,985,000
Capital Improvement and Refunding Revenue Bonds	23,614,644	905,394	857,017	23,663,021	548,814
Total Proprietary Fund Long-Term Obligations	44,706,414	17,258,915	15,829,879	46,135,450	2,568,778
Total Long-Term Debt & Obligations	\$ 69,755,821	\$ 20,183,896	\$ 17,396,082	\$ 72,543,635	\$ 3,051,280

NOTE 8. INTERFUND RECEIVABLES, PAYMENTS, AND TRANSFERS:

A. At September 30, 2013, interfund payments and transfers are as follows:

Fund Type/Fund	Transfers-in	Transfers-out
GOVERNMENTAL FUNDS		
General Fund	\$ 2,095,709	\$ 19,997,240
Special Revenue Fund	254,156	433,421
Debt Service Fund	1,778,557	185,955
Capital Projects Fund	2,942,846	-
Permanent Fund	-	39
PROPRIETARY FUNDS		
Utility Fund	8,807,385	904,899
Stormwater Fund	3,688,875	223,336
Solid Waste Fund	15,000	91,503
Municipal Marina Fund	2,527,031	173,349
Visitor Information Center	433,421	533,238
	<u>\$ 22,542,980</u>	<u>\$ 22,542,980</u>

Transfers are used to move unrestricted revenues collected to finance various programs accounted for in other funds in accordance with budgetary authorizations, and to segregate money for anticipated capital projects.

The General Fund transferred \$1,190,000 to the Capital Projects Fund and \$14,210,000 to the Proprietary Funds in the current year to cover construction costs of various projects which were funded by General Fund borrowings. These funds in turn used the money to repay the General Fund on amounts previously borrowed.

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2013

NOTE 8. INTERFUND RECEIVABLES, PAYMENTS, AND TRANSFERS: (Continued)

<u>Fund Type/Fund</u>	<u>Administrative Overhead Charges</u>	<u>Administrative Overhead Expenses</u>
GOVERNMENTAL FUNDS		
General Fund	\$ 2,131,456	\$ -
PROPRIETARY FUNDS		
Utility Fund	-	1,590,628
Stormwater Fund	-	112,436
Solid Waste Fund	-	294,333
Municipal Marina Fund	-	79,642
Visitor Information Center	-	54,417
	<u>\$ 2,131,456</u>	<u>\$ 2,131,456</u>

Administrative overhead charges are primarily used to move funds from proprietary funds to the General Fund for an allocated amount of overhead. These charges are not eliminated in the financial statements as such elimination would not accurately report the activities of the funds benefited.

B. At September 30, 2013, interfund receivables are as follows:

<u>Fund Type/Fund</u>	<u>Due to</u>	<u>Due from</u>
GOVERNMENTAL FUNDS		
General Fund	\$ -	\$ 1,270,696
Capital Projects Fund	3,357	
Permanent Fund	348	-
PROPRIETARY FUNDS		
Utility Fund	-	-
Stormwater Fund	-	-
Solid Waste Fund	-	-
Municipal Marina Fund	287,031	-
Visitor Information Center	979,960	-
	<u>\$ 1,270,696</u>	<u>\$ 1,270,696</u>

Interfund balances represent amounts loaned to or borrowed from other funds to assist in financing the operations of the borrowing fund.

NOTE 9. OPERATING LEASES:

The City leases various City and State owned buildings and properties under the terms of operating leases. The cost of the buildings and properties leased is not specifically identifiable as most of the leases are for only a portion of the building or property occupied. Future rental income expected from these leases is as follows:

<u>Year Ending September 30</u>	<u>Amount</u>
2014	\$ 1,097,705
2015	1,130,636
2016	1,164,555
2017	1,199,492
2018	1,235,477
Total future minimum rentals	<u>\$ 5,827,865</u>

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2013

NOTE 10. EMPLOYEE BENEFITS:

The City of St. Augustine has established three pension trust funds. Each plan is administered by a Board of Trustees in which City administration and members of the plans are represented. The General Fund would be used to liquidate any of the obligations for these pension funds or any other post-employment benefit. Disclosures relating to the individual pension trust funds and other post-employment benefits are as follows:

A. General Employees' Retirement System:

1. Plan Description:

The City of St. Augustine General Employees' Retirement System (System), a single-employer defined benefit pension plan, was authorized in its original form by City Ordinance 88-54, amending Chapter 20, Article IV of the Code of the City of St. Augustine, effective September 26, 1988. City Ordinance 88-54 was amended in 2002 by City Ordinance 2002-05, and in 2006 by City Ordinance 2006-06, which is the current ordinance in effect for the plan. The System is classified as a fiduciary trust fund of the City. The System is presented as a fiduciary fund of the City and stand-alone financial reports can be obtained through the City Clerk's office.

Any full-time City employee (those who work 40 or more hours per week), other than regular members of the Police and Fire Departments of the City, is eligible to become a member of this System. The City Manager may elect not to participate in the System. As of September 30, 2013, the System had 208 active participants, 115 retirees/beneficiaries and 13 vested terminated participants and 42 with refunds pending. The total payroll for eligible employees covered by this System was \$8,442,043.

As stipulated by City Ordinance 88-54, authority to establish and amend benefit provisions of the System rest with the City Commission, along with the authority to provide for cost of living adjustments. Benefits are calculated using the average of the highest five years of earnings within ten years of retirement or termination. For each year of credited service to a maximum of 35 years, monthly benefits shall be earned at the rate of two and a half percent of the member's average final salary. A supplemental annuity benefit is available to senior managers and directors pay grade 32 and above who retire after March 31, 2002, with ten or more years of credited service earned after March 31, 2002. The annuity amount is .5 percent of final average compensation times credited service up to 35 years for service in pay grades 32 through 35 and 1 percent of final average compensation times credited service up to 35 years for pay grades 36 and higher. Benefits are paid for the life of the participant with 60 percent continued to a surviving eligible spouse, unless optional forms of payments are elected. Eligibility for normal retirement is the earlier of age 65 and 5 years of service, age 60 and 10 years of service, or age 55 and 25 years of service. No benefits will be paid to a member upon termination if the termination occurs prior to the completion of ten years of service. The member, however, will receive his or her contribution to the plan, along with 3 percent interest.

If a member of the System dies a non-duty death or becomes disabled prior to five years of service, the member or beneficiary will receive a refund of the member's contribution to the fund. If a member dies in the line of duty or has 5 years of service, the eligible spouse will receive 60 percent of the projected benefits (with service credit extended to age 60) and eligible children will receive 10 percent of the projected benefits to a maximum of 20 percent.

Duty related disability with five or more years of service provides benefits under the group disability insurance contract. Upon termination of insurance, the pension benefit is computed as a normal retirement with additional service credit granted.

Members with ten or more years of service who have attained age and service conditions for normal retirement but are within five years of the earliest normal retirement date may elect to have their terminated benefits calculated as if the member had retired at an eligible normal retirement date up to five years earlier on or after February 13, 2006. Benefits that would have been payable are accumulated at interest to date of termination and paid or rolled over in a single sum, and payments are made directly to the member thereafter.

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2013

NOTE 10. EMPLOYEE BENEFITS: (Continued)

In the event the Plan terminates, the assets of the retirement system shall be apportioned and distributed in accordance with the established provisions of Section 20-135 of the City of St. Augustine Code, which provides for the distribution of assets in the following order:

- a. To provide for all expenses of the Plan including any cost of liquidation; then
- b. To provide for the payment of each participant and non-retired former participant an amount equal to his or her accumulated participant contributions; then
- c. To provide for the continuance of retirement allowances to retirees and beneficiaries; then
- d. To provide for the potential rights of participants and former participants entitled to a vested termination retirement allowance; then
- e. To revert back to the City if any excess exists after satisfying subsections a through d above.

The Plan is a governmental benefit plan and is tax exempt under the IRS Code.

2. Summary of Accounting Policies:

The following are the significant accounting policies followed by the System:

- a. Basis of Accounting - The financial statements of the System are prepared using the accrual basis of accounting in conformity with Generally Accepted Accounting Principles. Under this basis, revenue is recognized in the period earned, expenses are recognized in the period the obligation is incurred, and employee and employer contributions are recognized as revenue in the period in which the employee services are performed.
- b. Valuation of Investments – Investments are reported at fair value as provided by the System's asset manager, Salem Trust Company. The summary of investments at September 30, 2013, is as follows:

	<u>Cost Value</u>	<u>Market Value</u>
US Treasury Obligations & Government Agencies	N/A	\$ 1,543,152
Corporate & Foreign Bonds	N/A	4,234,543
Municipal Obligations	N/A	307,079
Equity Securities	N/A	18,461,947
Other Assets	N/A	2,334,722
		<u>\$ 26,881,443</u>

3. Funding Policy, Contributions, Status and Progress:

The City of St. Augustine General Employees' Retirement System is funded under the provisions of Chapter 20, Article IV, St. Augustine Code and Chapter 112, Florida Statutes. Funding arrangements include contributions by retirement system members, the City of St. Augustine, and investment income from retirement system assets. Administrative costs of the System are financed through investment earnings.

Effective November 8, 1988, contributions by retirement system members are based on four percent of compensation while the City of St. Augustine contributes one percent of compensation on behalf of the employees. Previously, retirement system members contributed five percent of compensation.

The System's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due. For the year ended September 30, 2013, the City made an actuarial contribution of 16.68 percent in addition to the required one percent contributed on behalf of the employees.

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2013

NOTE 10. EMPLOYEE BENEFITS: (Continued)

The following is funded status information for the plan as of September 30, 2013, the most recent actuarial valuation date (in thousands):

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL) (2)-(1)	Funded Ratio (1)/(2)	Covered Payroll	UAAL as a % of Covered Payroll [(2)-(1)/(5)]
9/30/2013	\$ 26,834	\$ 37,276	\$ 10,442	71.99%	\$ 8,442	123.69%

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

4. Annual Pension Cost:

For 2013, the City's annual pension cost was \$1,689,458. The City's actual contribution was \$1,684,375. The annual required contribution for the current year was determined as part of the October 1, 2011, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions in the October 1, 2011, valuations included (a) 7.75% investment rate of return; (b) projected salary increases of 0%; and (c) 3.25% rate of inflation. The assumptions did not include postretirement benefit increases. The actuarial value of assets was determined by adjusting the expected values of assets as of any valuation date by a portion of the cumulative differences of the market value of assets and the expected actuarial value of assets. Each difference is fully recognized over a period not to exceed five years. The unfunded actuarial liability is being amortized over 15 years as a level percentage of projected payroll on a closed basis.

Three-Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension (Asset)
9/30/2011	\$1,375,766	85%	(349,598)
9/30/2012	\$1,503,039	97%	(307,755)
9/30/2013	\$1,689,458	100%	(302,671)

Fiscal Year Ended September 30, 2013	Annual
Annual Required City Contribution (ARC)	\$ 1,667,960
Interest on NPO	(23,851)
Adjustment to ARC	45,349
Annual Pension Cost	1,689,458
Contributions Made	1,684,374
Decrease in NPO	5,084
NPO Beginning of Year	(307,755)
NPO End of Year	\$ (302,671)

5. Concentrations:

Salem Trust, Sawgrass Asset Management, Tradewinds, Europacific Growth, Vanguard Total International Stock, Principal U.S. Property and Integrity Management Fixed Income currently hold investments of the system which consist of a bond and mortgage account, U.S. stock account, international stock account and a

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2013

NOTE 10. EMPLOYEE BENEFITS: (Continued)

real estate account. The value of assets managed by these companies and their relation to the net assets of the plan as of September 30, 2013 is as follows:

	Market Value	Percent of Net Assets
Domestic Equity Securities	\$ 15,386,295	55%
International Equity Securities	3,075,652	11%
Real Estate	2,334,722	8%
Fixed Income Securities	6,084,774	22%
Cash & Short term Investments	1,145,870	4%
	<u>\$ 28,027,313</u>	

B. Police Officers' Retirement System

1. Plan Description:

The St. Augustine Police Officers' Retirement System (System), a single-employer defined benefit plan, was created June 1, 1957, by the City of St. Augustine, Article X of the St. Augustine Code, under the provisions of general law pertaining to Municipal Police Officers' Retirement Trust Fund (Chapter 185, Florida Statutes). The System is presented as a fiduciary fund of the City and stand-alone financial reports can be obtained through the City Clerk's office.

Any police officer who is a regular member of the police department of the City of St. Augustine is a member of this retirement system. As of September 30, 2013, the System had 46 active participants, 21 retirees/beneficiaries, 4 disabled participants, 7 vested/terminated participants and 1 pending refund. The total payroll for eligible employees covered by this System was \$2,572,897.

As stipulated by City Ordinance 88-75, authority to establish and amend benefit provisions of the retirement system rests with the City Commission, along with the authority to provide cost of living adjustments. Benefits are calculated using the average of the highest five years of earnings within ten years of retirement or termination. For each year of creditable service, monthly benefits shall be earned at the rate of 2.5 percent to 3.0 percent of the member's average final salary. Benefits are paid for life with 120 monthly payments guaranteed. Eligibility for normal retirement is the earlier of age 55 and 10 years of service or 25 years of service regardless of age. No benefits will be paid to a member upon termination if termination occurs prior to the completion of 10 years of service.

If a retirement system member dies before becoming eligible for any retirement benefits, the beneficiary will receive a refund, not including interest, of the deceased's member contributions to the fund. If ten years of creditable service had been attained, then the accrued benefit of the member is due to the surviving spouse, payable in 120 monthly payments. Disability benefits are based on the accrued benefit and are due to the member as of the disability retirement date. Minimum benefit is 42 percent of the average monthly earnings if the disability occurred in the line of duty, otherwise, the minimum benefit would be 25 percent of the average monthly benefits.

In the event the plan terminates, or upon written notice to the Board of Trustees that contributions they are under are being permanently discontinued, the assets of the retirement system shall be apportioned and distributed in accordance with the established provisions of Section 185.37, Florida Statutes. The amount of benefits which at the time of termination has accrued to the member or beneficiary shall not be affected, except to the extent that the assets of the retirement system may be determined to be inadequate.

The plan is a governmental benefit plan and is tax exempt under the Internal Revenue Service Code.

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2013

NOTE 10. EMPLOYEE BENEFITS: (Continued)

2. Summary of Accounting Policies:

a. Basis of Accounting - The financial statements of the System are prepared using the accrual basis of accounting in conformity with generally accepted accounting principles. In addition, fair value is used in the financial statements in presenting investments. Under this basis, revenue, including net changes in fair value of investments, is recognized in the period earned, expenses are recognized in the period the obligation is incurred, and employee and employer contributions are recognized as revenue in the period in which the employee services are performed.

b. Valuation of Investments - Quoted market prices, not original costs, are used to value investments as provided by Salem Trust Company, investment custodians for the plan. Many factors are considered in determining the fair value of these investments. The results of these factors may cause the fair value of these investments to increase or decrease during the course of the year. On many occasions, the fair value may be higher or lower than the original purchase price of the investment.

	<u>Cost Value</u>	<u>Fair Value</u>
Corporate and Municipal Bonds	N/A	\$ 1,631,674
Real Estate	N/A	1,912,726
Governmental Obligations	N/A	1,478,732
Stocks	N/A	8,566,869
		<u>\$ 13,590,001</u>

3. Funding Policy, Contributions, Status and Progress:

The St. Augustine Police Officers' Retirement System is funded under the provisions of Article X, Section 10.03, St. Augustine Code and Chapter 185.07, Florida Statutes. Funding arrangements include contributions by retirement system members, the City of St. Augustine, percentage of casualty insurance premiums collected on property located within the corporate limits of the City of St. Augustine, accretions to the fund by way of interest on bank deposits or otherwise, and any other source of income authorized by law to increase the retirement fund. At September 30, 2013, contributions by retirement system members are based on 5.5 percent of compensation while the City of St. Augustine contributes a minimum of 2.5 percent of compensation. Previously, retirement system members contributed four percent of fixed monthly compensation. The Board of Trustees for the Plan anticipates the above funding methods will result in all members' benefits being fully provided for by the time of their retirement. Effective October 1, 1993, the member contributions were changed from after tax compensation to pre-tax compensation.

Administrative costs are funded by City and member contributions.

The Plan's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due. The City made an actuarial contribution of 12.1 percent during the fiscal year ended September 30, 2013.

The following is funded status information for the plan as of September 30, 2013, the most recent actuarial valuation date (in thousands):

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL) (2)-(1)	Funded Ratio (1)/(2)	Covered Payroll	UAAL as a % of Covered Payroll [(2)-(1)/(5)]
9/30/2013	\$ 14,003	\$ 15,128	\$ 1,125	92.56%	\$ 2,573	43.73%

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2013

NOTE 10. EMPLOYEE BENEFITS: (Continued)

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

4. Annual Pension Cost:

For 2013, the City's annual pension cost was \$494,828. The actual contribution was \$473,275. The annual required contribution for the current year was determined as part of the October 1, 2011, actuarial valuation using the Individual Entry Age Actuarial Cost Method. The actuarial assumptions in the October 1, 2011, valuations included (a) 7.75% investment rate of return; (b) projected salary increases of 0%; and (c) 3.25% rate of inflation. The assumptions did include post-retirement benefits with a cost of living adjustment of up to 3%. The actuarial value of assets was determined by adjusting the expected value of assets as of any valuation date by a portion of the cumulative differences of the market value of assets and the expected actuarial value of assets starting from October 1, 1990. Each difference is fully recognized over a period not to exceed five years. The unfunded actuarial liability is being amortized over 15 years as a level percentage of projected payroll on a closed basis.

Three-Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
9/30/2011	\$506,651	85%	39,935
9/30/2012	\$607,066	90%	102,556
9/30/2013	\$494,828	96%	124,109

Fiscal Year Ended September 30, 2013	Annual
Annual Required City Contribution (ARC)	\$ 500,312
Interest on NPO	7,949
Adjustment to ARC	(13,433)
Annual Pension Cost	494,828
Contributions Made	(473,275)
Decrease in NPO	21,553
NPO Beginning of Year	102,556
NPO End of Year	<u>\$ 124,109</u>

5. Concentrations:

As of September 30, 2013, the Plan had no investments that exceeded five percent of the Plan's net assets as of that date.

C. Firefighters' Retirement System:

1. Plan Description:

The City of St. Augustine Firefighters' Retirement System (System), a single-employer defined benefit pension plan, was authorized in its present form by City Ordinance 87-60, amending Chapter 20, Article V of the Code of the City of St. Augustine, effective December 4, 1987. The System is classified as a fiduciary trust fund of the City. The System is presented as a fiduciary fund of the City and stand-alone financial reports can be obtained through the City Clerk's office.

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2013

NOTE 10. EMPLOYEE BENEFITS: (Continued)

Any City full-time firefighter and retired firefighter is eligible to become a member of this System. As of September 30, 2013, the System had 31 active participants, 24 retirees/beneficiaries, and 1 DROP participant. The total payroll for employees covered by this System for the year ended September 30, 2013 was \$1,546,571.

As stipulated by City Ordinance 87-60, authority to establish and amend benefit provisions of the Fund rests with the City Commission, along with the authority to provide for cost of living adjustments. Benefits are calculated using the average of the highest five years of earnings within ten years of retirement or termination. For each year of credited service to a maximum of 35 years, monthly benefits shall be earned at the rate of 3.0 percent of the member's average final compensation. Benefits are paid for the life of the participant with ten years certain. Eligibility for normal retirement is the earlier of age 55 and 10 years of credited service or 25 years of credited service, regardless of age. No benefits will be paid to a participant if termination occurs prior to the completion of ten years of service. Such participants, however, will receive their contributions to the plan along with three percent interest.

If a member of the Fund dies a non-duty death prior to five years of service, the beneficiary will receive the member's contribution with three percent interest. If a member dies in the line of duty or has five years of credited service, the beneficiary will receive the value of accrued benefits based on the member's average final compensation (AFC) and credited service. Disability benefits, as determined by the Board of Trustees, are the member's accrued benefits, but not less than 42 percent of AFC for service incurred and 25 percent for non-service incurred disabilities. Benefits are paid in the form of a ten-year certain and life annuity.

In the event the plan terminates, the assets of the retirement system shall be apportioned and distributed in accordance with the established provisions of Section 20-210 of the Code of the City of St. Augustine. The amount of benefits, which at the time of termination has accrued to the member or beneficiary shall not be affected except to the extent that the assets of the retirement system may be determined to be inadequate.

The plan is a governmental benefit plan and is tax exempt under the IRS Code.

2. Summary of Accounting Policies:

The following are the significant accounting policies followed by the System:

- a. Basis of Accounting - The financial statements of the System are prepared using the accrual basis of accounting in conformity with Generally Accepted Accounting Principles. Under this basis, revenue is recognized in the period earned, expenses are recognized in the period the obligation is incurred, and employee and employer contributions are recognized as revenue in the period in which the employee services are performed.
- b. Valuation of Investments – Investments are reported at fair value as provided by the Fund's investment manager Fifth Third Bank. Fifth Third arrives at fair value through the use of broker and pricing services. The summary of investments at September 30, 2013, is as follows:

	<u>Cost Value</u>	<u>Fair Value</u>
Corporate and Government Bonds	\$ 3,622,059	\$ 3,641,823
International exchange traded fund	815,397	969,113
Common Stock & Short Term Investments	3,910,341	5,584,012
	<u>\$ 8,347,797</u>	<u>\$ 10,194,948</u>

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2013

NOTE 10. EMPLOYEE BENEFITS: (Continued)

3. Funding Policy, Contributions, Status and Progress:

The City of St. Augustine Firefighters' Retirement System plan was created in 1987 under City Ordinance 87-60 amending Section 20, Article V of the Code of the City of St. Augustine, Florida. The Plan was substantively amended in 1993, 1995, 2000, 2001 and 2005. In addition, the Plan is a local law plan subject to provisions of Chapter 175 of the State of Florida Statutes. Funding arrangements include contributions by retirement system members, the City of St. Augustine, 1.85 percent premium tax for property insurance and investment income from the retirement system assets. Administrative costs of the fund are financed through investment earnings. For the current fiscal year the state premium tax revenue was \$162,413.

Effective September 22, 2008, contributions by retirement system members are based on five percent of compensation while the City of St. Augustine contributes one percent of compensation on behalf of members. Previously, retirement system members contributed four percent.

The Plan's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due. The City was required to make an actuarial contribution of 13.52 percent during the Fiscal Year ended September 30, 2013, in addition to the ordinance-required contribution of 3.5 percent.

The following is funded status information for the plan as of October 1, 2013, the most recent actuarial valuation date (in thousands):

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL) (2)-(1)	Funded Ratio (1)/(2)	Covered Payroll	UAAL as a % of Covered Payroll [(2)-(1)/(5)]
10/1/2013	\$ 9,399	\$ 9,181	\$ (218)	102.37%	\$ 1,547	-14.09%

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

4. Annual Pension Cost:

For 2013, the City's annual pension cost was \$382,097. The City's actual contribution was \$362,976. The annual required contribution for the current year was determined as part of the October 1, 2011, actuarial valuation using the frozen entry age actuarial cost method. The actuarial assumptions in the October 1, 2011 valuations included (a) 7.5% investment rate of return; (b) projected salary increases of 4.5 -6.5% per year; and (c) 3% rate of inflation.

The actuarial value of assets was determined by adjusting the expected value of assets as of any valuation date by a portion of the cumulative differences of the market value of assets and the expected actuarial value of assets starting from October 1, 1990. Each difference is fully recognized over a period not to exceed five years. The unfunded actuarial liability is being amortized over 15 years as a level percentage of projected payroll on a closed basis.

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2013

NOTE 10. EMPLOYEE BENEFITS: (Continued)

Three-Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/2011	284,315	91%	(344,805)
9/30/2012	288,203	93%	(324,885)
9/30/2013	382,097	95%	(305,764)

Fiscal Year Ended September 30, 2013	Annual
Annual Required City Contribution (ARC)	\$ 362,976
Interest on NPO	(24,366)
Adjustment to ARC	43,487
Annual Pension Cost	382,097
Contributions Made	(362,976)
Decrease in NPO	19,121
NPO Beginning of Year	(324,885)
NPO End of Year	<u>\$ (305,764)</u>

5. Concentrations:

As of September 30, 2013, the Plan had no investments that exceeded five percent of the Plan's net assets as of that date.

D. Other Post-Employment Benefits (OPEB):

Pursuant to Section 112.0801 of the Florida Statutes, the City is required to permit participation in the single-employer defined benefit health insurance plan (the "Plan") by retirees and their eligible dependents at a cost to the retiree that is no greater than the cost at which coverage is available for active employees.

Based on Governmental Accounting Standards Board (GASB) approval of Statement Nos. 43 and 45 which set forth the guidelines and a future implementation timetable for reporting and disclosure of Other Post-Employment Benefits (OPEB), the City had an actuary calculate future funding requirements using an appropriate actuarial cost method. The valuation was performed as of September 30, 2012 and covers subsidies for medical insurance benefits. The City has elected to implement the provisions of GASB Statement No. 45 prospectively. The City's annual OPEB cost for the Plan is calculated based on the annual required contribution of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The projected unit credit cost method was used to determine all liabilities, with the liability for each active employee assumed to accrue over the working lifetime based on elapsed time from the date of hire until retirement.

1. Plan Description:

The City provides optional post-employment benefits to all eligible individuals including lifetime medical, prescription, dental, and certain life insurance coverage. Eligible individuals include all employees of the City of St. Augustine who retire from active service under one of the pension plans sponsored by the City.

Under certain conditions, eligible individuals also include spouses and dependent children. As of September 30, 2012, there were 299 future retirees, 16 retired and disabled participants receiving benefits, 1 spouse receiving benefits and 1 other dependent receiving benefits for a total of 317 included in the valuation. The Plan does not issue a publicly available financial report.

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2013

NOTE 10. EMPLOYEE BENEFITS: (Continued)

2. Funding Policy:

The City Commission is authorized to establish benefit levels and approve the actuarial assumptions used in the determination of contributions levels. The City Commission establishes the contributions requirements of plan members and the City. These contributions are neither mandated nor guaranteed. The retiree contributes the premium cost each month. Spouses and other dependents are also eligible for coverage, although the retiree pays the premium cost. Retirees must pay a monthly premium as determined by the insurance carrier. The premium varies depending on whether the retiree elects single, single plus spouse, single plus dependents, or family coverage. Currently, the City's subsidy to OPEB benefits is unfunded. There are no separate Trust Funds or equivalent arrangements into which the City makes contributions to advance-fund the OPEB obligations, as it does for its retiree pension plans. The City's cost of the OPEB benefits, funded on a pay-as-you-go basis, was \$187,915 for the year ended September 30, 2013. The ultimate implicit and explicit subsidies which are provided over time are financed directly by general assets of the City, which are invested in short-term fixed income instruments according to its current investment policy. The City selected an interest discount rate of 4.50% per annum, which is the long range expected return on such short-term fixed income instruments, to calculate the present values and costs of the OPEB. This is consistent with GASB Statement No. 45 guidance. Significant Actuarial Assumptions and methods used to estimate the OPEB liability are as follows:

Valuation date.....	September 30, 2013
Actuarial cost method.....	Projected Unit Credit Cost Method
Amortization method.....	Level Dollar Payment
Amortization period	30-Year Period
Assumed rate of return on investments ...	4.50% per annum
Inflation rate.....	5%
Projected salary increases.....	0%
Post-retirement benefit increases.....	0%

Assumed healthcare cost trend rates:

<u>Fiscal Year Ending</u>	<u>Percent Increase</u>
2012	6.00%
2013	5.00%
2014 - Thereafter	5.00%

3. Actuarial Methods:

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and Plan members to that point. Actuarial calculations reflect a long-term perspective and the methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2013

NOTE 10. EMPLOYEE BENEFITS: (Continued)

4. Annual OPEB Cost and Net OPEB Obligation:

The City's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize the actuarial liabilities (or funding excess) over a period not to exceed 30 years. The amortization periods used are closed. The City's annual OPEB cost for the fiscal year was \$187,915.

The City's annual OPEB cost and net OPEB obligation for the year ended September 30, 2013 is as follows:

Annual Required City Contribution (ARC)	\$ 195,312
Interest on Plan Obligation	20,307
Adjustment to ARC	<u>(27,704)</u>
Annual Plan Retiree Cost	187,915
Contributions Made	<u>(103,993)</u>
Increase in Plan Obligation	83,922
Plan Obligation Beginning of Year	<u>451,262</u>
Plan Obligation End of Year	<u><u>\$ 535,184</u></u>

The City's percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the fiscal year ended September 30, 2013 is as follows:

Fiscal Year Ending	Annual City Retiree Cost	City* Contributions	Percentage of Cost Contributed	Net Obligation (Asset)
9/30/2013	\$ 187,915	\$ 103,993	55%	\$ 535,184

*Limited to the difference between age-adjusted and composite premiums paid for retirees during the year.

The 2013 contribution represented 55% of the annual required contribution. The actuarial valuation for the Plan was done as of September 30, 2013. As of September 30, 2013, the most recent actuarial valuation date, the Plan was unfunded. The actuarial accrued liability for benefits was \$1,865,539, and the actuarial value of assets was \$0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,865,539. The covered payroll was \$13,378,299, and the ratio of the UAAL to the covered payroll was 13.94%.

The Schedule of Funding Progress, presented as Required Supplementary Information immediately following the Notes to the Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

NOTE 11. 457 TAX-DEFERRED COMPENSATION PLAN:

The City offers its employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. On August 20, 1996, Section 457 of the Code was amended with the passage of the Small Jobs Protection Act of 1996. The Code now requires employers to maintain the plan assets in a trust, custodial account or annuity for each individual member as of January 1, 1999. Since the inception of its plan on October 1, 1993, the City has deposited all funds in a custodial account with The Variable Annuity Life Insurance Company.

In October 1997, the GASB issued Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans. This statement allows the employer to not report the assets and liabilities in their financial statements if the employer has met the new criteria of the Internal Revenue Code, Section 457 and does not retain fiduciary accountability for the plan assets. In fiscal year 1998, the City amended its deferred compensation plan to reflect the changes in the Internal Revenue Code and, in the opinion of management, does not retain fiduciary accountability for plan assets. Accordingly, the City has implemented GASB No. 32 and is no longer including the assets and liabilities of the deferred compensation plan in its financial statements. There is no effect on the City's overall fund balance as the plan was an agency fund in which plan assets equal liabilities.

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2013

NOTE 12. SUBSEQUENT EVENT

Management has evaluated subsequent events through March 28, 2014, the date the financial statements were available to be issued, and has determined that no subsequent events have occurred that would require adjustment to or disclosure in the financial statements other than discussed above.

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**Required Supplementary
Information Other than
Management Discussion & Analysis
(MD&A)**

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CITY OF ST. AUGUSTINE, FLORIDA

General, Police, and Fire Employees' Pension Plans Required Supplementary Information Schedule of Funding Progress (Dollar Amounts in Thousands)

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL) (2)-(1)	Funded Ratio (1)/(2)	Covered Payroll	UAAL as a Percentage of Covered Payroll [(2)-(1)/(5)]
General Pension:						
9/30/2013	\$ 26,834	\$ 37,276	\$ 10,442	71.99%	\$ 8,442	123.69%
9/30/2012	24,961	35,346	10,385	70.62%	8,136	127.64%
9/30/2011	25,072	33,935	8,863	73.88%	8,288	106.94%
9/30/2010	24,932	31,861	6,929	78.25%	9,118	75.99%
9/30/2009	23,817	29,574	5,757	80.53%	9,501	60.59%
9/30/2008	23,258	27,153	3,895	85.66%	9,357	41.63%
9/30/2007	22,172	25,909	3,737	85.58%	9,000	41.52%
9/30/2006	20,135	22,726	2,591	88.60%	8,004	32.37%
9/30/2005	18,481	19,674	1,193	93.94%	7,073	16.87%
9/30/2004	17,076	17,874	798	95.54%	7,069	11.29%
Police Pension:						
9/30/2013	14,003	15,128	1,126	92.56%	2,573	43.75%
9/30/2012	13,243	14,280	1,037	92.74%	2,238	46.34%
9/30/2011	13,299	13,823	524	96.21%	2,280	22.98%
9/30/2010	13,078	13,980	902	93.55%	2,566	35.15%
9/30/2009	12,759	13,428	669	95.01%	2,780	24.08%
9/30/2008	12,951	13,473	522	96.13%	2,495	20.92%
9/30/2007	12,424	12,544	120	99.04%	2,576	4.66%
9/30/2006	11,383	11,846	463	96.09%	2,287	20.23%
9/30/2005	10,566	11,052	486	95.60%	2,273	21.40%
9/30/2004	10,267	9,774	(493)	-105.04%	2,044	-24.12%
Fire Pension:						
9/30/2013	9,399	9,181	(218)	102.37%	1,547	-14.09%
9/30/2012	8,583	8,399	(184)	102.19%	1,512	-12.17%
9/30/2011	8,139	7,909	(230)	102.91%	1,349	-17.05%
9/30/2010	8,390	8,207	(183)	102.23%	1,234	-14.83%
9/30/2009	8,301	8,123	(178)	102.19%	1,518	-11.73%
9/30/2008	8,222	8,031	(191)	102.38%	1,413	-13.52%
9/30/2007	8,089	9,377	1,288	86.27%	1,310	98.30%
9/30/2006	7,428	8,771	1,343	84.69%	930	144.46%
9/30/2005	6,904	8,311	1,408	83.06%	843	166.90%
9/30/2004	6,608	7,868	1,260	83.99%	925	136.22%

CITY OF ST. AUGUSTINE, FLORIDA

General, Police, and Fire Employees' Pension Plans

Required Supplementary Information

Schedule of Employer Contributions and Other Contributing Entities

Year Ended September 30	Annual Required Contribution	* City Contribution	* State Premium Tax	Percentage Contributed
----------------------------	------------------------------------	------------------------	---------------------------	---------------------------

General Pension:

2013	\$ 1,689,458	\$ 1,684,375	\$ -	99.70%
2012	1,503,039	1,461,196	-	97.22%
2011	1,375,766	1,176,148	-	85.49%
2010	1,250,914	1,206,532	-	96.45%
2009	1,157,224	1,192,706	-	103.07%
2008	909,542	1,039,614	-	114.30%
2007	631,069	828,381	-	131.27%
2006	597,699	679,414	-	113.67%
2005	448,795	457,095	-	101.85%
2004	365,948	388,902	-	106.27%

Police Pension:

2013	494,838	473,275	-	95.64%
2012	607,066	544,445	-	89.68%
2011	504,989	430,980	-	85.34%
2010	394,821	326,733	-	82.75%
2009	407,169	346,738	-	85.16%
2008	415,753	381,564	-	91.78%
2007	469,050	372,637	-	79.45%
2006	454,343	215,128	271,723	107.15%
2005	302,097	56,415	246,906	100.41%
2004	222,781	52,448	212,619	118.98%

Fire Pension:

2013	362,976	261,542	101,434	100.00%
2012	268,282	168,349	99,934	100.00%
2011	258,240	152,842	105,398	100.00%
2010	309,347	202,533	106,814	100.00%
2009	237,355	153,176	106,814	109.54%
2008	310,329	106,364	268,679	120.85%
2007	250,034	104,222	252,226	142.56%
2006	239,014	91,576	212,014	127.02%
2005	198,791	59,614	169,201	115.10%
2004	152,714	34,859	151,978	122.34%

* General and police contributions for the City and State are adjusted for interest credits to the end of the fiscal year, as per the plan's actuarial valuation, dated September 30, 2013. As a result, the amount indicated above will not be consistent with similar financial data exhibited in other areas of this report.

CITY OF ST. AUGUSTINE, FLORIDA

Note to the Schedule of Funding Progress and Schedule of Employer and Other Contributions For all Pension Plans

	General Employees' Pension Plan	Police Officers' Pension Plan	Firefighters' Pension Plan
Valuation Date	30-Sep-13	30-Sep-13	30-Sep-13
Actuarial Cost Method	Individual Entry Age	Individual Entry Age	Frozen Entry Age
Amortization Method	Level Percentage (closed) of Projected Payroll	Level Percentage (closed) of Projected Payroll	Level Percentage of pay, closed
Remaining Amortization Period	Weighted Average of 15 Years	Weighted Average of 15 Years	Weighted Average of 28 Years
Asset Valuation Method	5 Year Weighted Average of Difference Between Market & Expected Market	5 Year Weighted Average of Difference Between Market & Expected Market	4 Year Smoothing
Actuarial Assumptions:			
Investment Rate of Return	7.75% Annually	7.75% Annually	7.5% Annually
Projected Salary Increases	3.5-7%	3.5-7%	4.5-6.5%
Cost of Living Adjustments	none	Up to 3% Annually	none

CITY OF ST. AUGUSTINE, FLORIDA

Other Post-Employment Benefits Required Supplementary Information Schedule of Funding Progress (Dollar Amounts in Thousands)

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL) (2)-(1)	Funded Ratio (1)/(2)	Covered Payroll	UAAL as a Percentage of Covered Payroll [(2)-(1)/(5)]
9/30/2013	\$ -	\$ 1,866	\$ 1,866	0.00%	\$ 13,378	13.94%
9/30/2012	-	1,818	1,818	0.00%	12,829	14.17%
9/30/2011	-	2,311	2,311	0.00%	13,926	16.59%
9/30/2010	-	2,235	2,235	0.00%	13,391	16.69%
9/30/2009	-	2,169	2,169	0.00%	12,876	16.85%

CITY OF ST. AUGUSTINE, FLORIDA

**Other Post-Employment Benefits
Required Supplementary Information
Schedule of Employer Contributions and Other Contributing Entities**

Year Ended September 30	Annual Required Contribution	* City Contribution	Percentage Contributed
------------------------------------	---	--------------------------------	-----------------------------------

2013	\$ 187,915	\$ 103,993	55.34%
2012	233,090	110,995	47.62%
2011	224,288	134,757	60.08%
2010	216,180	111,198	51.44%
2009	208,983	74,329	35.57%

*** Limited to the difference between age-adjusted and composite premiums paid for retirees during the year.**

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Combining Statements

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CITY OF ST. AUGUSTINE, FLORIDA

**Combining Statement of Fiduciary Net Position
Fiduciary Funds
September 30, 2013**

	General Employees' Pension Fund	Police Officers' Pension Fund	Firefighters' Pension Fund	Total Employee Retirement Funds
ASSETS				
Cash and Short-term Investments	\$ 1,145,870	\$ 803,700	\$ 330,865	\$ 2,280,435
Receivables:				
Member Contributions	13,611	5,352	2,976	21,939
City Contributions	61,752	11,774	9,730	83,256
Interest and Dividends	75,181	37,858	28,279	141,318
Broker-dealers	-	-	66,851	66,851
Due from State	-	-	28,658	28,658
Total Receivables	150,544	54,984	136,494	342,022
Prepaid Expense	-	-	577	577
Investments, at Fair Value:				
U.S. Government Obligations Fund	1,850,231	1,478,732	1,599,502	4,928,465
U.S. Stock Fund	15,386,295	7,217,844	5,253,147	27,857,286
Mutual Funds - International Equity	3,075,652	-	-	3,075,652
Bond and Mortgage Fund	4,234,543	2,980,699	2,042,321	9,257,563
International Exchange Fund	-	-	969,113	969,113
Real Estate Fund	2,334,722	1,912,726	-	4,247,448
Total Investments	26,881,443	13,590,001	9,864,083	50,335,527
Total Assets	28,177,857	14,448,685	10,332,019	52,958,561
LIABILITIES				
Expenses Payable	52,318	23,067	12,008	87,393
Total Liabilities	52,318	23,067	12,008	87,393
NET POSITION				
Held in Trust for Pension Benefits	\$ 28,125,539	\$ 14,425,618	\$ 10,320,011	\$ 52,871,168

CITY OF ST. AUGUSTINE, FLORIDA

**Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended September 30, 2013**

	General Employees' Pension Fund	Police Officers' Pension Fund	Firefighters' Pension Fund	Total Employee Retirement Funds
ADDITIONS				
Contributions				
Members	\$ 353,901	\$ 134,807	\$ 76,126	\$ 564,834
City	1,618,004	299,093	245,509	2,162,606
State Insurance Premium Tax, from General Fund	-	161,295	162,413	323,708
Total Contributions	1,971,905	595,195	484,048	3,051,148
Investment Income				
Net Increase (Decrease) in Fair Value of Investments	3,110,823	1,120,995	837,270	5,069,088
Interest and Dividends on Investments	653,814	339,084	271,277	1,264,175
Total Investment Income	3,764,637	1,460,079	1,108,547	6,333,263
Less Investment Expenses	182,187	80,456	46,730	309,373
Net Investment Income	3,582,450	1,379,623	1,061,817	6,023,890
Total Additions	5,554,355	1,974,818	1,545,865	9,075,038
DEDUCTIONS				
Benefit Payments	1,800,012	586,231	508,615	2,894,858
Drop Payments	-	-	-	-
Termination Payments	113,441	22,335	8,043	143,819
Administrative Expenses	42,691	44,597	25,655	112,943
Total Deductions	1,956,144	653,163	542,313	3,151,620
Change in Net Position	3,598,211	1,321,655	1,003,552	5,923,418
Net Position - Beginning	24,527,328	13,103,963	9,316,459	46,947,750
NET POSITION - ENDING	\$ 28,125,539	\$ 14,425,618	\$ 10,320,011	\$ 52,871,168

**Schedule of Expenditures
of Federal Awards
and State Financial Assistance**

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CITY OF ST. AUGUSTINE, FLORIDA
Schedule of Expenditures of Federal Awards and
State Financial Assistance
For the Year Ended September 30, 2013

Federal Grantor/Pass-through Grantor/Program	CFDA Number	Contract Number	Federal Expenditures
U.S. Department of Justice Meth Lab Equipment Program	16.738	2011-DJ-BX-2621	7,670
Florida Office of Criminal Justice St Augustine Police Dept. Equipment	16.738	2013JAGD-STJO-1-D8-010	4,818
St Augustine Police Dept. Equipment	16.738	2013-JAGC-STJO-1-D7-086	20,842
Total U.S Department of Justice			<u>33,330</u>
U.S. Department of Homeland Security Florida Division of Emergency Management Flood Mitigation Assistance	97.029	FMA-PJ-04-FL-2010-002	2,140,574
U.S. Department of Energy Florida Energy and Climate Commission State Energy Program - ARRA	81.041	DE-EE0000241/ARS029	169,962
U.S Department of Transportation Florida Department of Transportation Highway Planning and Construction	20.205	LAP 403920-3-58-01	125,453
U.S Department of Housing and Urban Development Florida Department of Community Affairs Community Development Block Grants	14.228	CDBG 11DB-L4-04-65-02-N 24	380,465
U.S Department of the Interior Department of Transportation Transit in Parks Grant	20.520	P12PA30122	163,816
Total Expenditures of Federal Awards			<u>\$ 3,013,600</u>
State Agency	CFSA Number	Contract Number	State Expenditures
Florida Inland Navigation	N/A	SJ-SA-12-48	10,717
Florida Inland Navigation	N/A	SJ-SA-12-49	9,527
Total Florida Inland Navigation			<u>20,244</u>
Florida Department of Environmental Protection Clean Vessel Act	N/A	CVA 11-632, MV075	4,533
St. Johns River Water Management District	N/A	27262	39,127
Florida Department of Historical Resources	N/A	F1206	15,196
Total Expenditures of State Financial Assistance			<u>\$ 79,100</u>

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STATISTICAL SECTION

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Statistical Section

This section of the City of St. Augustine, Florida's comprehensive annual financial report presents detailed information as a context for understanding the information in the financial statements, note disclosures, and required supplementary information about the City's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends	134
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
Revenue Capacity	142
These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property taxes.	
Debt Capacity	147
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
Demographic and Economic Information	153
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.	
Operating Information	156
These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.	

CITY OF ST. AUGUSTINE, FLORIDA

NET POSITION BY COMPONENT LAST TEN FISCAL YEARS "UNAUDITED"

	2003/04	2004/05	2005/06	2006/07
<u>Governmental Activities</u>				
Net Investment in Capital Assets	\$ 13,491,170	\$ 9,451,793	\$ 10,966,110	\$ 14,175,163
Restricted	4,725,306	3,203,122	1,134,402	631,370
Unrestricted	(671,043)	8,543,387	12,340,617	12,813,500
Total governmental activities net position	\$ 17,545,433	\$ 21,198,302	\$ 24,441,129	\$ 27,620,033
<u>Business-type activities</u>				
Net Investment in Capital Assets	\$ 2,372,560	\$ 6,027,693	\$ 11,785,907	\$ 22,747,771
Restricted	10,138,334	2,561,863	4,310,849	10,310,337
Unrestricted	2,952,198	11,490,954	11,489,120	9,225,883
Total business-type activities net position	\$ 15,463,092	\$ 20,080,510	\$ 27,585,876	\$ 42,283,991
<u>Primary Government</u>				
Net Investment in Capital Assets	\$ 15,863,730	\$ 15,479,486	\$ 22,752,017	\$ 36,922,934
Restricted	14,863,640	5,764,985	5,445,251	10,941,707
Unrestricted	2,281,155	20,034,341	23,829,737	22,039,383
Total primary government net position	\$ 33,008,525	\$ 41,278,812	\$ 52,027,005	\$ 69,904,024

2007/08	2008/09 *	2009/10	2010/11	2011/12 *	2012/13
\$ 14,676,684	\$ 15,619,162	\$ 16,449,454	\$ 14,525,576	\$ 11,255,991	\$ 1,503,296
303,051	194,949	239,423	741,252	5,620,856	1,936,545
13,631,715	12,094,285	10,794,948	11,906,201	9,834,076	8,071,115
\$ 28,611,450	\$ 27,908,396	\$ 27,483,825	\$ 27,173,029	\$ 26,710,923	\$ 11,510,956
\$ 33,767,723	\$ 38,596,536	\$ 41,464,233	\$ 48,685,820	\$ 51,779,723	\$ 60,744,774
1,282,194	1,780,856	2,128,544	2,866,119	2,147,376	4,994,135
17,596,927	15,081,493	14,587,206	9,058,342	9,505,608	15,838,640
\$ 52,646,844	\$ 55,458,885	\$ 58,179,983	\$ 60,610,281	\$ 63,432,707	\$ 81,577,549
\$ 48,444,407	\$ 54,215,698	\$ 57,913,687	\$ 63,211,396	\$ 63,035,714	\$ 62,248,070
1,585,245	1,975,805	2,367,967	3,607,371	7,768,232	6,930,680
31,228,642	27,175,778	25,382,154	20,964,543	19,339,684	23,909,755
\$ 81,258,294	\$ 83,367,281	\$ 85,663,808	\$ 87,783,310	\$ 90,143,630	\$ 93,088,505

* As Restated

CITY OF ST. AUGUSTINE, FLORIDA

CHANGES IN NET POSITION LAST FOUR FISCAL YEARS "UNAUDITED"

	2009/10	2010/11	2011/12	2012/13
EXPENSES				
Governmental Activities:				
General Government	\$ 9,477,947	\$ 9,516,005	\$ 8,713,330	\$ 10,347,659
Public Safety	8,192,511	8,218,190	8,178,719	8,438,777
Physical Environment	3,464,066	3,835,617	3,678,979	3,681,026
Transportation	1,148,640	213,858	214,453	201,513
Culture & Recreation	517,985	520,628	446,608	485,382
Interest and Fiscal Charges	369,659	815,610	1,222,551	1,200,327
Total Governmental Activities Expenses	\$ 23,170,808	\$ 23,119,908	\$ 22,454,640	\$ 24,354,684
Business-type Activities:				
Utility	\$ 10,620,601	\$ 10,725,515	\$ 11,471,416	\$ 12,131,430
Stormwater Drainage	466,522	355,674	554,668	629,842
Solid Waste	2,681,359	2,849,077	2,969,917	3,275,477
Municipal Marina	2,207,992	2,586,876	2,409,752	2,243,049
Visitor Information Center	3,068,303	3,221,409	3,911,199	3,605,840
Heritage Tourism	1,712,119	1,841,901	-	-
Total Business-type Activities Expenses	\$ 20,756,896	\$ 21,580,452	\$ 21,316,952	\$ 21,885,638
Total Primary Government Expenses	\$ 43,927,704	\$ 44,700,360	\$ 43,771,592	\$ 46,240,322
PROGRAM REVENUES				
Governmental Activities:				
Charges for Services				
General Government	\$ 4,159,321	\$ 4,708,023	\$ 5,226,638	\$ 5,794,248
Public Safety	1,001,276	939,952	1,097,949	1,213,351
Physical Environment	301,983	319,411	352,946	380,119
Transportation	117,612	17,809	20,574	22,158
Culture/Recreation	46,747	43,355	42,846	46,144
Operating Grants and Contributions	264,405	72,042	27,454	80,639
Capital Grants and Contributions	763,338	765,163	1,061,708	163,816
Total Governmental Activities Program Revenue	\$ 6,654,682	\$ 6,865,755	\$ 7,830,114	\$ 7,700,475
Business-type activities (a):				
Charges for Services				
Utility	\$ 11,471,373	\$ 11,936,064	\$ 12,363,531	\$ 12,759,371
Stormwater Drainage	747,339	746,691	750,157	749,313
Solid Waste	3,363,968	3,355,261	3,366,865	3,409,021
Municipal Marina	2,197,463	2,553,875	2,481,804	2,343,213
Visitor Information Center	1,327,438	1,849,777	3,187,908	2,824,963
Heritage Tourism	1,875,824	1,175,210	-	-
Operating Grants and Contributions				-
Capital Grants and Contributions	1,046,973	414,949	2,163,373	4,347,631
Total Business-type Activities Program Revenue	\$ 22,030,378	\$ 22,031,827	\$ 24,313,638	\$ 26,433,512
Total Primary Government Revenues	\$ 28,685,060	\$ 28,897,582	\$ 32,143,752	\$ 34,133,987

(continued)

NOTES:

(a) Business-type expenses do not include Debt Service, Capital Outlay, or Transfers.

CITY OF ST. AUGUSTINE, FLORIDA

CHANGES IN NET POSITION LAST FOUR FISCAL YEARS "UNAUDITED"

	2009/10	2010/11	2011/12	2012/13
Net (Expense)/Revenue				
Governmental Activities	\$ (16,516,126)	\$ (16,254,153)	\$ (14,624,526)	\$ (16,654,209)
Business-type Activities	1,273,482	451,375	2,996,686	4,547,874
Total primary government net expense	<u>\$ (15,242,644)</u>	<u>\$ (15,802,778)</u>	<u>\$ (12,700,651)</u>	<u>\$ (12,106,335)</u>
General Revenues and Other Changes in Net Position				
Governmental Activities:				
Property Taxes	\$ 10,690,906	9,125,072	8,308,786	8,041,626
Utility Taxes	961,872	1,042,588	1,014,901	1,106,723
Communication Service Taxes	1,046,752	1,133,430	1,108,214	1,079,773
Franchise Fees	1,415,038	1,534,080	1,447,746	1,367,810
State Revenue Sharing, Unrestricted	547,520	547,815	549,061	549,036
Local Option Gas Taxes	535,223	534,021	516,976	486,832
Local Option Sales Taxes	878,398	898,289	879,913	936,377
Insurance Premium Taxes	357,602	360,357	329,522	295,051
Other Taxes	99,409	93,994	153,441	107,952
Miscellaneous	919,858	1,473,258	661,297	999,107
Investment Income	41,448	26,486	35,596	29,342
Transfers	(1,402,471)	(1,936,106)	(467,168)	(13,545,387)
Total Governmental Activities	<u>\$ 16,091,555</u>	<u>\$ 14,833,284</u>	<u>\$ 14,538,285</u>	<u>\$ 1,454,242</u>
Business-type activities (a):				
Unrestricted Investment Earnings	\$ 45,145	\$ 42,816	\$ 82,008	\$ 51,581
Interfund Transfer of Assets (net)	-	-	-	-
Transfers	1,402,471	1,936,106	467,168	13,545,387
Total Business-type Activities	<u>\$ 1,447,616</u>	<u>\$ 1,978,922</u>	<u>\$ 549,176</u>	<u>\$ 13,596,968</u>
Total Primary Government	<u>\$ 17,539,171</u>	<u>\$ 16,812,206</u>	<u>\$ 15,087,461</u>	<u>\$ 15,051,210</u>
Change in Net Position				
Governmental Activities	\$ (424,571)	\$ (1,420,870)	\$ (86,241)	\$ (15,199,967)
Business-type Activities	2,721,098	2,430,298	3,545,862	18,144,842
Total Primary Government	<u>\$ 2,296,527</u>	<u>\$ 1,009,428</u>	<u>\$ 3,459,621</u>	<u>\$ 2,944,875</u>

NOTES:

(a) Business-type expenses do not include Debt Service, Capital Outlay, or Transfers.

CITY OF ST. AUGUSTINE, FLORIDA

FUND BALANCES, GOVERNMENTAL FUNDS LAST TEN FISCAL YEARS

September 30, 2013

"UNAUDITED"

	2004	2005	2006	2007	2008
General Fund					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	1,790,289	1,848,645	884,631	796,284	1,208,861
Assigned	-	-	-	-	-
Unassigned	3,488,124	7,835,329	11,513,122	11,902,148	12,970,610
Total General Fund	5,278,413	9,683,974	12,397,753	12,698,432	14,179,471
All Other Governmental Funds					
Nonspendable	-	-	-	-	-
Restricted	796,069	3,058,435	2,010,274	1,713,559	608,899
Unassigned reported in:					
Capital Projects Fund	4,400,300	15,245,090	2,350,969	282,163	117,620
Total All Other Governmental Funds:	5,196,369	18,303,525	4,361,243	1,995,722	726,519
Total Governmental Funds	\$ 10,474,782	\$ 27,987,499	\$ 16,758,996	\$ 14,694,154	\$ 14,905,990

2009	2010	2011	2012	2013
\$ -	\$ 772,028	\$ 1,679,414	\$ 610,785	\$ 671,931
1,060,567	130,821	472,396	17,422,961	1,271,596
-	-	-	425,560	219,170
11,399,627	10,704,273	23,770,779	7,193,586	8,071,115
12,460,194	11,607,122	25,922,589	25,652,892	10,233,812
-	-	-	63,743	63,829
905,501	620,744	733,684	-	2,237,088
9,022	54,928	54,155	-	-
914,523	675,672	787,839	63,743	2,300,917
\$ 13,374,717	\$ 12,282,794	\$ 26,710,428	\$ 25,716,635	\$ 12,534,729

CITY OF ST. AUGUSTINE, FLORIDA

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS LAST TEN FISCAL YEARS "UNAUDITED"

	2003/04	2004/05	2005/06	2006/07
REVENUES				
Ad Valorem Taxes	\$ 6,025,894	\$ 6,689,649	\$ 8,534,508	\$ 10,581,764
Sales and Use Taxes	1,032,566	1,096,132	1,221,253	1,226,062
Utility Excise Taxes	1,760,159	1,842,707	1,815,289	1,747,093
Licenses, Permits & Fees	1,178,438	1,433,542	1,886,205	1,790,500
Intergovernmental	1,841,242	2,063,359	2,134,319	2,310,841
Fines & Forfeitures	437,704	415,994	408,105	376,423
Interest Earnings	143,938	905,298	1,263,737	965,558
Administrative Service Charges	3,359,772	3,546,557	3,611,332	3,368,212
Sale of Surplus Assets	-	3,586,529	166,909	-
Other	2,011,386	2,922,765	2,395,265	3,113,832
Total Revenues	17,791,099	24,502,532	23,436,922	25,480,285
EXPENDITURES				
Current:				
General Government	5,336,832	5,654,721	6,564,789	7,395,472
Public Safety	5,980,184	6,312,235	6,900,438	7,705,333
Physical Environment	2,502,833	2,715,641	3,097,289	3,466,862
Transportation	797,999	1,115,556	1,069,139	1,144,871
Culture & Recreation	401,789	460,018	459,648	532,658
Capital Outlay	3,511,261	9,335,467	14,809,417	5,496,747
Debt Service:				
Principal Retirement	259,426	277,230	285,605	287,627
Interest and Fiscal Charges	578,366	1,569,121	1,526,314	438,764
Issuance Cost		356,512	-	-
Total Expenditures	19,368,690	27,796,501	34,712,639	26,468,334
Excess (deficiency) of revenues over (under) expenditures	(1,577,591)	(3,293,969)	(11,275,717)	(988,049)
Other Financing Sources (Uses)				
Transfers In	4,127,939	6,103,130	6,307,014	5,191,500
Transfers (Out)	(3,888,541)	(6,020,414)	(6,259,800)	(6,268,293)
Long-term Debt Issued	-	20,999,525	-	-
Retirement to Escrow Agent	-	(578,198)	-	-
Bonds Refunded	-	-	-	-
Discount on Long-Term Debt Issued	-	-	-	-
Premium on Long-Term Debt Issued	-	302,643	-	-
Total Other Financing Sources (Uses)	239,398	20,806,686	47,214	(1,076,793)
Net Change in Fund Balances	\$ (1,338,193)	\$ 17,512,717	\$ (11,228,503)	\$ (2,064,842)
Debt Service as a percentage of noncapital expenditures	5.28%	10.00%	9.10%	3.46%

2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
\$ 10,589,451	\$ 10,966,589	\$ 10,361,986	\$ 8,880,436	\$ 8,088,994	\$ 7,858,737
1,141,444	900,942	892,825	894,378	846,498	781,883
1,601,724	1,649,673	2,008,624	2,176,019	2,123,115	2,186,496
1,983,703	2,199,545	2,567,238	2,746,002	3,218,885	3,780,188
2,195,144	2,091,824	1,892,676	1,823,510	1,824,800	1,814,169
371,934	294,423	280,874	293,660	256,665	299,368
427,186	124,421	41,447	26,486	35,596	29,342
2,675,852	2,306,131	1,983,565	1,798,737	1,979,089	2,131,456
-	-	-	-	-	-
3,328,623	4,181,187	4,119,474	4,995,917	4,464,133	3,818,462
24,315,061	24,714,735	24,148,709	23,635,145	22,837,775	22,700,101
7,769,930	8,882,214	8,020,835	6,707,477	6,976,904	8,573,559
7,823,977	8,157,878	8,143,485	8,199,851	8,160,380	8,235,598
3,489,882	3,354,800	3,346,170	3,833,649	3,677,011	3,635,979
1,152,404	1,102,977	1,112,354	213,003	213,598	188,283
505,720	525,588	517,985	520,305	446,285	477,295
1,560,586	2,167,291	2,000,736	2,168,860	2,283,141	1,131,616
303,812	313,781	326,938	341,823	335,177	392,983
396,710	390,469	369,659	815,610	1,222,551	-
-	-	-	-	158,142	1,200,327
23,003,021	24,894,998	23,838,162	22,800,578	23,473,189	23,835,640
1,312,040	(180,263)	310,547	834,567	(635,414)	(1,135,539)
2,701,482	4,640,885	3,276,693	3,620,608	4,995,305	7,071,268
(3,801,686)	(5,991,895)	(4,679,164)	(5,556,714)	(5,462,473)	(20,616,655)
-	-	-	16,215,000	6,971,120	1,576,691
-	-	-	-	(6,720,721)	-
-	-	-	-	-	(197,083)
-	-	-	(685,827)	(74,404)	-
-	-	-	-	(67,206)	119,412
(1,100,204)	(1,351,010)	(1,402,471)	13,593,067	(358,379)	(12,046,367)
\$ 211,836	\$ (1,531,273)	\$ (1,091,924)	\$ 14,427,634	\$ (993,793)	\$ (13,181,906)

3.27%	3.10%	3.19%	5.61%	8.10%	7.02%
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CITY OF ST. AUGUSTINE, FLORIDA

TOTAL ASSESSED VALUATIONS AND TOTAL EXEMPTIONS LAST TEN FISCAL YEARS

September 30, 2013

"UNAUDITED"

	2004	2005	2006	2007	2008
Real Property	\$ 1,453,278,532	\$ 1,822,534,169	\$ 2,053,904,777	\$ 2,189,788,053	\$ 2,050,830,669
Personal Property	73,963,887	73,456,340	84,651,102	91,299,224	89,781,653
Railroad & Telegraph	2,539,213	2,631,148	2,724,527	2,352,819	3,232,997
Total Assessed Valuations	1,529,781,632	1,898,621,657	2,141,280,406	2,283,440,096	2,143,845,319
Homestead Exempt Property (a)	69,803,529	70,662,166	74,445,529	83,998,000	156,415,412
Other Exemptions	419,524,055	498,558,761	419,996,442	442,762,407	349,967,839
Total Exempt Property	489,327,584	569,220,927	494,441,971	526,760,407	506,383,251
Total Taxable Value	<u>\$ 1,040,454,048</u>	<u>\$ 1,329,400,730</u>	<u>\$ 1,646,838,435</u>	<u>\$ 1,756,679,689</u>	<u>\$ 1,637,462,068</u>
Direct Rate	6.600	6.600	6.600	6.600	6.313

NOTES:

(a) Real property is assessed at 100 percent of fair market value. Tangible Personal Property: Equipment is assessed at current depreciated value. Centrally Assessed Property: (1) State of Florida makes annual assessments of all operating property of railroad and railroad terminal companies in the State. Such assessment is apportioned to each county, based upon actual situs, and, in the case of property not having situs in a particular county, is apportioned based upon track miles. (2) All private car and freight line and equipment companies operating rolling stock in Florida other than in (1) above shall return for taxation the average number of their cars which are habitually present within Florida and shall state the fair market value thereof. Property is assessed as of January 1st. Tax bills are mailed November 1st. Four percent discount, if paid in November, three percent if paid in December, two percent if paid in January, one percent discount if paid in February, full amount due in March, delinquent April 1st.

Source: St. Johns County Property Appraiser, St. Johns County Tax Collector, Department of Revenue, State of Florida

(b) Figures are from the PRELIMINARY tax rolls. These could change once the final tax rolls are received.

Source: St. Johns County Property Appraiser, St. Johns County Tax Collector, Department of Revenue, State of Florida

All years have been updated to accurately report the Total Assessed Valuation and the Total Taxable Value.

2009	2010	2011	2012	2013 (b)
\$ 1,671,365,155	\$ 1,670,891,378	\$ 1,567,068,493	\$ 1,506,640,382	\$ 1,550,025,682
88,602,566	108,370,268	103,283,994	98,758,852	99,441,437
2,478,097	2,230,412	2,304,747	2,148,694	2,558,367
1,762,445,818	1,781,492,058	1,672,657,234	1,607,547,928	1,652,025,486
154,994,874	141,949,847	139,393,599	139,711,480	141,569,199
225,336,597	426,874,275	416,816,893	394,769,492	394,162,661
380,331,471	568,824,122	556,210,492	534,480,972	535,731,860
\$ 1,382,114,347	\$ 1,212,667,936	\$ 1,116,446,742	\$ 1,073,066,956	\$ 1,116,293,626
6.823	7.500	7.500	7.500	7.500

CITY OF ST. AUGUSTINE, FLORIDA

PROPERTY TAX RATES AND TAX LEVIES DIRECT AND OVERLAPPING GOVERNMENTS

LAST TEN FISCAL YEARS

September 30, 2013

"UNAUDITED"

Fiscal Year Ended	Direct	Overlapping				Total
	City of St. Augustine	St. Johns County	School District	St. Johns River Water Management District	Other	
2004	6.600	5.850	8.285	0.462	0.557	21.754
2005	6.600	5.850	8.226	0.462	0.457	21.595
2006	6.600	5.848	7.849	0.462	0.441	21.200
2007	6.313	5.004	7.721	0.416	0.395	19.848
2008	6.823	5.037	7.642	0.416	0.382	20.300
2009	7.500	5.547	7.801	0.416	0.381	21.645
2010	7.500	5.547	8.069	0.416	0.228	21.760
2011	7.500	5.937	7.979	0.331	0.228	21.976
2012	7.500	5.937	7.683	0.331	0.231	21.682
2013	7.500	5.937	7.544	0.328	0.231	21.540

NOTES:

Millage rates are per \$1,000 of assessed valuation.

Source: St. Johns County Tax Collector

CITY OF ST. AUGUSTINE, FLORIDA

PRINCIPAL TAXPAYERS

September 30, 2013

"UNAUDITED"

Taxpayer	2012/2013			2003/2004		
	Taxable Assessed Value	Rank	Percent of Total Assessment	Taxable Assessed Value	Rank	Percent of Total Assessment
Patris Real Estate LLC	\$ 13,401,403	1	1.29%			
The Flagler Resort, LTD	12,468,411	2	1.20%	\$ 16,114,580	1	1.44%
Target Corporation	7,411,585	3	0.71%	9,239,240	3	0.83%
Conch House Builders LLC	7,206,481	4	0.69%			
SHP IV Harbour Island LLC	7,123,452	5	0.68%			
Home Depot USA, Inc.	5,044,690	6	0.48%	8,358,320	4	0.75%
Sea Wall Motor Lodge, INC	5,037,960	7	0.48%			
Patel, Kantibhai M.	4,461,008	8	0.43%	7,431,280	5	0.67%
Orthopedic Associates Partners	3,906,071	9	0.38%			
W.J. Development Corp.	2,833,391	10	0.27%			
Ponce Associates, LLC				11,388,880	2	1.02%
The Allegro Senior Housing, LLC				6,604,410	6	0.59%
Virtu Cathedral Associates	2,650,597		0.25%	4,317,670	7	0.39%
Historical Properties, LLC				3,763,480	8	0.34%
Gates of St. Johns, LLC	2,364,236		0.23%	3,614,820	9	0.32%
Carmel-Olympic Associates ETAL	1,838,904		0.18%	3,602,880	10	0.32%
Other Taxpayers	944,131,441		90.76%	1,042,855,255		93.34%
	<u>\$ 1,040,210,639</u>		<u>100.00%</u>	<u>\$ 1,117,290,815</u>		<u>100.00%</u>

Source: St. Johns County Property Appraiser's Office

CITY OF ST. AUGUSTINE, FLORIDA

PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN FISCAL YEARS

September 30, 2013

"UNAUDITED"

Fiscal Year Ended	Total Tax Levy	Current Tax Collection	Percent (a) of Levy Collected	Assessed Taxable Value	Estimated Actual Value (Thousands)	Estimated % of Fair Market Value
2004	6,192,544	6,013,301	97.11%	1,529,781,632	1,529,782	100%
2005	6,866,997	6,654,994	96.91%	1,898,621,657	1,898,622	100%
2006	8,774,045	8,517,325	97.07%	2,141,280,406	2,141,280	100%
2007	10,805,480	10,548,105	97.62%	2,283,440,096	2,283,440	100%
2008	10,396,491	10,487,209	100.87%	2,143,845,319	2,143,845	100%
2009	11,172,404	10,743,591	96.16%	1,762,445,818	1,762,446	100%
2010	10,352,987	9,939,071	96.00%	1,781,492,058	1,781,492	100%
2011	9,099,510	8,797,391	96.68%	1,672,657,234	1,672,657	100%
2012	8,341,338	8,088,994	96.97%	1,607,547,928	1,607,548	100%
2013	8,023,465	7,858,707	97.95%	1,652,025,486	1,652,025	100%

NOTES:

- (a) Florida Statutes provide for a discount of up to four percent for early payment of Ad Valorem Taxes.

CITY OF ST. AUGUSTINE, FLORIDA

RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA

LAST TEN FISCAL YEARS

September 30, 2013

"UNAUDITED"

Fiscal Year	Population (a)	Assessed Value (In Thousands) (b)	Gross Bonded Debt	Debt Service Monies Available	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
2004	13,411	1,529,782	-	-	-	-	-
2005	13,505	1,898,622	-	-	-	-	-
2006	13,702	2,141,280	-	-	-	-	-
2007	13,912	2,283,440	-	-	-	-	-
2008	13,874	2,143,845	-	-	-	-	-
2009	13,663	1,762,446	-	-	-	-	-
2010	13,719	1,781,492	-	-	-	-	-
2011	13,056	1,672,657	-	-	-	-	-
2012	13,092	1,607,548	-	-	-	-	-
2013	13,271	1,652,025	-	-	-	-	-

NOTES:

(a) City of St. Augustine, Planning & Building Department

(b) Previous year's preliminary tax role is adjusted to final role in current year.

CITY OF ST. AUGUSTINE, FLORIDA

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR
GENERAL BONDED DEBT TO TOTAL GENERAL EXPENDITURES
LAST TEN FISCAL YEARS**

September 30, 2013

"UNAUDITED"

Fiscal Year	Principal	Interest	Total Debt Service	Total General Expenditures	Ratio of Debt Service to Total General Expenditures
2004	259,426	578,366	837,792	15,523,495	5.40
2005	277,230	1,569,121	1,846,351	16,597,885	11.12
2006	285,605	1,526,056	1,811,661	18,846,625	9.61
2007	297,167	438,764	735,931	21,058,008	3.49
2008	303,813	389,015	692,828	20,932,846	3.31
2009	313,781	390,469	704,250	21,349,627	3.30
2010	326,938	369,659	696,597	21,979,202	3.17
2011	341,823	815,610	1,157,433	20,856,626	5.55
2012	335,177	1,222,551	1,557,728	20,778,307	7.50
2013	392,983	1,200,327	1,593,310	20,827,487	7.65

CITY OF ST. AUGUSTINE, FLORIDA
UTILITY REVENUE BOND COVERAGE
LAST TEN FISCAL YEARS
September 30, 2013
"UNAUDITED"

Fiscal Year Ended	Gross Revenue (a)	Operating Expenses (b)	Net Revenue (c)	Debt Service Requirements	Debt Service Coverage
2004	11,319,398	6,467,225	4,852,173	3,145,464 (d)	1.54
2005	12,778,639	6,565,120	6,213,519	1,609,044 (d) (e)	3.86
2006	14,286,905	7,467,811	6,819,094	3,188,793 (d)	2.14
2007	19,692,492	7,804,057	11,888,435	3,209,541 (d)	3.70
2008	12,505,287	7,233,245	5,272,042	3,234,726 (d)	1.63
2009	12,138,979	7,307,097	4,831,882	3,254,261 (d)	1.48
2010	11,876,944	6,979,489	4,897,455	3,288,337 (d)	1.49
2011	12,301,380	6,847,896	5,453,484	3,318,894 (d)	1.64
2012	12,293,699	7,586,408	4,707,291	3,344,052 (d)	1.41
2013	20,661,902	8,223,690	4,417,087 (f)	2,843,032 (d)	1.55

NOTES:

- (a) **Gross Revenue = Operating Revenue + Net Transfers In (Out) + Interest Revenue + Miscellaneous Revenue**
- (b) **Operating Expenses = Total Operating Expenses - Depreciation and Amortization**
- (c) **Net Revenue = Gross Revenue - Operating Expenses - Extraordinary Revenues + Extraordinary Expenses**
- (d) **Includes interest on zero-coupon bonds**
- (e) **Series 2005 Water and Sewer Bond issue refunded four previous outstanding bond issues lowering current year's annual required debt service payment.**
- (f) **The calculation of Net Revenue excludes a one-time Transfer In from the General Fund that the City does not consider to be a normal operating revenue and should, therefore, not be included in the calculation of Debt Service Coverage. (See Note 8 for more detail.)**

CITY OF ST. AUGUSTINE, FLORIDA
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
September 30, 2013
"UNAUDITED"

Fiscal Year		General Obligation Bonds	Percentage of Taxable Value of Property (a)		Per Capita (b)
2004	\$	14,580,001	1.40%	\$	1,087
2005		34,480,000	2.59%		2,553
2006		33,980,003	2.06%		2,480
2007		33,460,001	1.90%		2,405
2008		32,930,001	2.01%		2,374
2009		32,384,999	2.34%		2,370
2010		31,654,999	2.61%		2,307
2011		47,115,000	4.22%		3,609
2012		46,735,000	4.36%		3,570
2013		47,770,000	4.28%		3,600

Fiscal Year		Water Revenue Bonds		Total Primary Government (d)		Per Capita (b)
2004	\$	29,848,567	\$	44,428,568	\$	3,313
2005		31,253,747		65,733,747		4,867
2006		29,830,773		63,810,776		4,657
2007		28,375,694		61,835,695		4,445
2008		26,884,601		59,814,602		4,311
2009		25,363,644		57,748,643		4,227
2010		23,799,012		55,454,011		4,042
2011		22,191,968		69,306,968		5,308
2012		20,508,832		67,243,832		5,136
2013		21,800,000		69,570,000		5,242

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(a) See pages 142-143 for taxable property value data.

(b) See page 155 for population data.

(d) Includes governmental activities debt and business-type activities debt.

CITY OF ST. AUGUSTINE, FLORIDA
DIRECT AND OVERLAPPING GOVERNMENTAL
ACTIVITIES DEBT
September 30, 2013
"UNAUDITED"

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt Repaid with Property Taxes			
St. Johns County Capital Improvement Revenue Bonds, Series 2012	11,495,000	6.38%	733,357
St. Johns County Revenue Sharing Revenue & Refunding Revenue Bonds, Series 2005	18,010,000	6.38%	1,149,000
St. Johns County Sales Tax Revenue Refunding Bonds, Series 2012	40,830,000	6.38%	2,604,868
St. Johns County Sales Tax Revenue Refunding Bonds, Series 2009A	8,255,000	6.38%	526,652
St. Johns County Sales Tax Revenue Bonds, Series 2009	19,845,000	6.38%	1,266,069
St. Johns County Sales Tax Revenue Refunding Bonds, Series 2006	41,755,000	6.38%	2,663,881
St. Johns County Transportation Improvement Revenue Bonds, Series 2012	24,995,000	6.38%	1,594,628
St. Johns County Transportation Improvement Revenue Bonds, Series 2006	26,450,000	6.38%	1,687,454
St. Johns County Transportation Improvement Revenue Bonds, Series 2003	870,000	6.38%	55,504
St. Johns County Community Redevelopment Agency Refunding Note, Series 2012	3,773,000	6.38%	240,709
St. Johns County Obligations Under State Revolving Loan, Series 2005	3,611,456	6.38%	230,403
St. Johns County \$30M Commercial Paper Program	826,000	6.38%	52,697
			-
Other Debt			
			-
St. Johns County School Board Certificate of Participation	147,790,000	6.38%	9,428,691
St. Johns County School Board General Obligation Bonds, Series, 2003A through 2011A	7,035,000	6.38%	448,818
			-
Subtotal Overlapping Debt			<u>\$ 22,682,733</u>
City Direct Debt			
Capital Improvement and Refunding Bonds, Series 2004	1,810,000	100%	1,810,000
Capital Improvement and Refunding Bonds, Series 2011	16,215,000	100%	16,215,000
Capital Improvement and Refunding Bonds, Series 2011B	9,430,000	100%	9,430,000
Capital Improvement and Refunding Bonds, Series 2013	20,315,000	100%	20,315,000
Subtotal Direct Debt			<u>\$ 47,770,000</u>
Total Direct and Overlapping Debt			<u>\$ 70,452,733</u>

Sources: Assessed value data used to estimate applicable percentages provided by St. Johns County Property Appraiser. Debt outstanding data provided by each governmental unit.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of St. Augustine. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government.

(a) For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable value that is within the City's boundaries and dividing it by each unit's total taxable assessed value. This same formula is used for other overlapping debt.

CITY OF ST. AUGUSTINE, FLORIDA

DIRECT AND OVERLAPPING RATIOS

September 30, 2013

"UNAUDITED"

(continued)

Direct and Overlapping General Obligation Debt	\$	70,452,733
Per Capita	\$	5,309
As a Percentage of Taxable Assessed Valuation		5.81%
As a Percentage of Total Just Valuation		3.95%

CITY OF ST. AUGUSTINE, FLORIDA

COMPUTATION OF LEGAL DEBT MARGIN

September 30, 2013

"UNAUDITED"

**The Constitution of the State of Florida, Florida Statutes 200.131, and
the City of St. Augustine Charter set no legal debt margin.**

CITY OF ST. AUGUSTINE, FLORIDA

SUMMARY OF PLEDGED FUNDS Public Service Tax/Guaranteed Entitlement Bonds September 30, 2013 "UNAUDITED"

Revenue Source	FY 2008/09	FY 2009/10	FY 2010/11	FY 2011/12	FY 2012/13
Public Service Tax					
Electric	\$ 643,040	\$ 894,452	\$ 980,395	\$ 939,844	\$ 1,029,195
Communication	954,119	1,046,752	1,133,430	1,108,214	1,079,773
Gas	52,513	67,420	62,194	75,057	77,528
Fuel Oil	-	-	-	-	-
Total	\$ 1,649,672	\$ 2,008,624	\$ 2,176,019	\$ 2,123,115	\$ 2,186,496
Florida Revenue Sharing					
Revenue Sharing	\$ 548,313	\$ 547,520	\$ 547,815	\$ 549,061	\$ 549,036
Guaranteed Entitlements					
Local Option Gas Tax	\$ 504,738	\$ 535,223	\$ 534,021	\$ 516,976	\$ 486,932
Total	\$ 504,738	\$ 535,223	\$ 534,021	\$ 516,976	\$ 486,932
Total Pledged Funds	\$ 2,702,723	\$ 3,091,367	\$ 3,257,855	\$ 3,189,152	\$ 3,222,464

CITY OF ST. AUGUSTINE, FLORIDA

DEMOGRAPHIC STATISTICS

September 30, 2013

"UNAUDITED"

Year	Population		Per Capita Personal Income	Total Personal Income (in thousands)	Unemploy- ment Rate
	City of St. Augustine	St. Johns County			
2004	13,363	141,900 (est.)	\$ 41,834	\$ 5,483,768	3.7%
2005	13,505	149,006 (est.)	\$ 44,451	\$ 6,466,633	2.9%
2006	13,702	155,014 (est.)	\$ 48,392	\$ 7,262,095	2.7%
2007	13,912	167,453 (est.)	\$ 50,179	\$ 8,276,144	2.7%
2008	13,874	176,570 (est.)	\$ 49,327	\$ 8,869,772	5.5%
2009	13,663	183,244 (est.)	\$ 48,283	\$ 8,999,561	8.2%
2010	13,719	189,764	\$ 49,327	\$ 8,911,368	9.6%
2011	13,056	190,039	\$ 47,544	Not Available	8.4%
2012	13,092	200,170	\$ 41,973	Not Available	6.9%
2013	13,271	213,480	\$ 36,639	Not Available	5.2%

Year	Population Projection	
	City of St. Augustine	St. Johns County

2017 14,130 225,681

2020 14,300 246,937

Avg Household Size: 2.02 2.49

Source: City of St. Augustine, Planning & Building Department,
St. Johns County Chamber of Commerce
Office of Economic and Demographic Research

CITY OF ST. AUGUSTINE, FLORIDA
MAJOR EMPLOYERS IN THE ST. AUGUSTINE AREA
September 30, 2013
"UNAUDITED"

Establishment	Product	Approximate Employment	
		2012/2013	2003/2004
St. Johns County School Board	Educational	3,738	2,900
Flagler Hospital	Health Care	1,887	1,400
St. Johns County	County Government	1,149	708
Northrop Grumman	Aircraft Overhaul & Modification	1,100	1,250
Community Hospice of NE Florida	Health Care	959	0
US Army National Guard	Florida National Guard HQ	936	355
Florida School for the Deaf and Blind	Educational Institution	684	730
Flagler College	Four-Year Liberal Arts College	546	346
Carlisle Interconnect Technologies (Tensolite Company)	Manufacturer	530	275
Ring Power	Heavy Equipment Sales	500	0
City of St. Augustine	Municipal Government	324	340
Hydro Aluminum	Aluminum Fabrication	307	550
Luhrs Corporation	Boat Manufacturing	0	400

CITY OF ST. AUGUSTINE, FLORIDA

SUMMARY OF TEN LARGEST WATER CUSTOMERS

September 30, 2013

"UNAUDITED"

Customer	Usage for Fiscal Year Ended September 30, 2013 (in gallons)
Flagler Hospital	38,058,527
City of St. Augustine	38,036,200
St. Johns County	22,558,800
Flagler College	17,037,200
Florida School for the Deaf & Blind	14,905,800
Grumman of St. Augustine	12,034,042
St. Johns County School Board	9,436,000
Flagler Resort LTD	7,453,000
St. Johns Welfare Federation	6,936,200
Northport Health Services	3,813,400

Source: City of St. Augustine Customer Service Department

CITY OF ST. AUGUSTINE, FLORIDA

**HISTORICAL UTILITY CUSTOMERS AND SALES OF THE SYSTEM
LAST TEN FISCAL YEARS**

September 30, 2013

"UNAUDITED"

Fiscal Year Ended	Water Customers			Sewer Customers		
	Inside City	Outside City	Total	Inside City	Outside City	Total
2004	6,307	2,710	9,017	5,901	1,336	7,237
2005	6,528	3,169	9,697	6,151	1,336	7,487
2006	6,642	3,594	10,236	6,283	1,586	7,869
2007	6,741	3,858	10,599	6,651	1,859	8,510
2008	7,000	4,058	11,058	6,674	1,998	8,672
2009	7,047	4,183	11,230	6,697	2,134	8,831
2010	6,988	4,419	11,407	6,704	2,210	8,914
2011	6,793	4,440	11,233	6,374	2,332	8,706
2012	6,901	4,527	11,428	6,476	2,409	8,885
2013	7,026	4,632	11,658	6,927	2,483	9,410

Source: City of St. Augustine Customer Service Department

Water Sales (Thousands of Gallons)		
Inside City	Outside City	Total
662,489	292,573	955,062
577,828	263,281	841,109
529,264	273,470	802,734
572,648	385,139	957,787
596,147	386,930	983,077
513,033	378,125	891,158
521,691	344,701	866,392
540,729	374,552	915,281
542,757	398,102	940,859
535,938	366,881	902,819

CITY OF ST. AUGUSTINE, FLORIDA

WATER AND WASTEWATER TREATMENT PLANTS

SUMMARY OF HISTORICAL DAILY FLOWS

September 30, 2013

"UNAUDITED"

Fiscal Year Ended	Water Treatment Plant (a)		Wastewater Treatment Plant	
	Annual Average Daily Flow (Millions of Gallons Per Day)	Maximum Monthly Average Daily Flow (Millions of Gallons Per Day)	Annual Average Daily Flow (Millions of Gallons Per Day)	Maximum Monthly Average Daily Flow (Millions of Gallons Per Day)
2004	3.923	4.468	4.679	7.367
2005	2.529	3.333	3.788	5.237
2006	3.000	3.400	3.026	4.100
2007	3.560	4.085	3.624	6.016
2008	3.651	4.601	2.995	10.885
2009	3.388	4.119	3.697	9.639
2010	3.356	3.769	3.033	9.030
2011	3.244	3.692	2.674	3.581
2012	3.058	3.601	3.587	5.772
2013	2.974	3.389	3.913	5.724

Source: City of St. Augustine Engineering Department

CITY OF ST. AUGUSTINE, FLORIDA

WATER AND SEWER UTILITIES HISTORICAL RATE STRUCTURES

September 30, 2013

"UNAUDITED"

Effective October 1,	Service Area	Minimum Charge Flow Rate Gal./Month	Water		Sewer	
			Minimum Charge	Additional Charge Per 1,000 Gal.	Minimum Charge	Additional Charge Per 1,000 Gal.
2004	Inside City	3,000	13.93	3.83	19.24	4.85
	Outside City	3,000	17.41	4.79	24.05	6.06
2005	Inside City	3,000	13.93	3.83	19.24	4.85
	Outside City	3,000	17.41	4.79	24.05	6.06
2006	Inside City	3,000	14.17	3.90	19.58	4.93
	Outside City	3,000	17.71	4.87	24.47	6.17
2007	Inside City	3,000	14.45	3.98	19.97	5.03
	Outside City	3,000	18.06	4.98	24.96	6.29
2008	Inside City	3,000	14.83	4.08	20.49	5.16
	Outside City	3,000	18.53	5.11	25.61	6.45
2009	Inside City	3,000	15.42	4.24	21.32	5.37
	Outside City	3,000	19.26	5.31	26.64	6.71
2010	Inside City	3,000	16.19	4.47	22.35	5.66
	Outside City	3,000	20.20	5.59	27.92	7.07
2011	Inside City	3,000	16.46	4.56	22.69	5.77
	Outside City	3,000	20.54	5.70	28.34	7.21
2012	Inside City	3,000	16.83	4.68	22.99	5.87
	Outside City	3,000	20.99	5.85	28.70	7.33
2013	Inside City	3,000	17.12	4.76	23.40	5.98
	Outside City	3,000	21.37	5.95	29.22	7.46

CITY OF ST. AUGUSTINE, FLORIDA

BUILDING PERMIT ACTIVITY

LAST TEN FISCAL YEARS

(Value in Thousands)

September 30, 2013

"UNAUDITED"

Fiscal Year	Single Family Units	Multi-Family Units	New Residential Valuation	New Non-Residential Valuations	Residential & Non-Residential Additions/Alterations	Public Valuation	Total Valuation
2004	46	116	7,360	9,304	NA	624	17,288
2005	173	-	38,193	5,821	3,670	509	48,193
2006	30	44.00	7,220	17,340	NA	3,082	27,642
2007	66	8	12,263	13,953	4,854	498	31,568
2008	176	19	8,267	11,536	741	844	21,388
2009	7	1	4,179	4,224	6,812	2,851	18,066
2010	13	0	2,417	3,547	526	921	7,411
2011	41	-	49,910	0	834	-	50,744
2012	38	-	7,986	3,561	0	-	11,547
2013	49	-	10,964	14,490	1	12,644	38,100

Source: City of St. Augustine Planning & Building Department

CITY OF ST. AUGUSTINE, FLORIDA

PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS

(In Thousands of Dollars)

LAST TEN FISCAL YEARS

September 30, 2013

"UNAUDITED"

Fiscal Year	Commercial Construction (a)		Residential Construction (a)		Bank Deposits (b)
	Number of Units	Value	Number of Units	Value	
2004	6	10,800	46	7,360	1,649,973
2005	29	21,600	77	14,400	1,941,518
2006	24	34,622	74	7,220	2,457,165
2007	262	15,184	571	16,414	2,315,423
2008	349	12,469	505	8,919	1,898,151
2009	309	10,023	559	8,043	2,786,112
2010	8	3,547	13	2,417	2,850,983
2011	0	-	41	49,910	2,868,734
2012	30	3,561	38	3,986	2,833,072
2013	31	14,490	49	10,964	2,940,180

NOTES:

(a) Planning and Building Division

(b) Deposits for St. Johns County

Source: www.FDIC.gov

CITY OF ST. AUGUSTINE, FLORIDA

MISCELLANEOUS STATISTICAL DATA

September 30, 2013

"UNAUDITED"

Date of Incorporation	May 30, 1925
Form of Government	Commission - Manager
Area:	
Square Miles	13.89 Miles
Paved Streets	66.61
Unpaved Streets	10.5
Altitude	13 Feet Above Sea Level
Education:	
Elementary	3
Secondary	1
Post-Secondary	2
Fire Protection:	
Number of Fire Stations	2
Number of Firefighters	33
Police Protection:	
Number of Police Stations	1
Number of Police Officers	50
Utility Customers:	
Water	11,658
Sewer	9,410
Solid Waste	7,286
Tourism Facts (St. Johns County):	
Visitors (Per Year)	3,000,000 +
Airports	1
Attractions/Points of Interest	50 +
Camp Sites	1,241
Condominium Units (Rentals)	4,000
Hotel/Motel Units	5,600
Marinas	7
Parks and Playgrounds	29
Public Golf Courses	5
Public Tennis Courts	28
Restaurants	200 +
Sightseeing Services	6
State Parks	5

(continued)

CITY OF ST. AUGUSTINE, FLORIDA

MISCELLANEOUS STATISTICAL DATA

September 30, 2013

"UNAUDITED"

(continued)

Climate:

Average Temperature and Precipitation in St. Johns County			
Quarter	Average Daily ax. Temperatu	Average Daily Min. Temperature	Total Rainfall
January - March	71.4	50.3	6.76
April - June	82.6	64.0	14.58
July - September	88.3	73.7	16.34
October - December	75.9	60.4	8.11

**source: St. Johns County Chamber of Commerce,
Southeast Regional Climate Center**

CITY OF ST. AUGUSTINE, FLORIDA

FULL-TIME EQUIVALENT CITY EMPLOYEES BY FUNCTION LAST FIVE FISCAL YEARS

September 30, 2013

"UNAUDITED"

FUNCTION	Full-time Equivalent Employees as of September 30,				
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Governmental Activities:					
General Government	82	85	75	77.5	55.5
Public Safety	102.5	101.5	100.5	99.5	99.5
Physical Environment	26	29	31	29	47
Transportation	13	13	0	0	0
Culture/Recreation	3	3	2	4	6
Business-Type Activities					
Utilities	57.5	56.5	58.5	58.5	59.5
Stormwater	1	3	1	1	1
Solid Waste	12	12	19	18	15
Municipal Marina	10.5	11	13	12	12
Visitor Information Center	14.5	16	17.5	18.5	15.5
Heritage Tourism	20.5	20.5	20.5	0	0

Source: City of St. Augustine Human Resources Department

CITY OF ST. AUGUSTINE, FLORIDA

Operating Indicators by Function LAST FIVE FISCAL YEARS September 30, 2013 "UNAUDITED"

FUNCTION	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Police					
Physical Arrests	1,712	1,622	1,564	1,477	1,208
Traffic Violations	3,862	5,849	3,937	4,094	2,971
Calls for Service	40,175	44,550	41,127	40,790	41,243
Parking Violations (includes those issued by Parking Enforcement)	13,685	10,321	10,003	10,211	9,907
Fire					
Number of calls answered	3,140	3,162	3,389	3,412	3,494
Inspections	470	427	387	381	521
Hydrants Flow Tested	546	439	455	379	379
Highways and Streets					
New Street Pavings (miles)	-	-	-	-	-
Streets Resurfaced (miles)	-	-	0.3	-	0.5
Sanitation					
Refuse Collected (tons/day)	58.5	59.2	60.0	62.1	67.3
Recyclables Collected (tons/day)	1.5	1.8	2.7	2.8	4.0
Culture and Recreation					
Field Permits Issued	14	19	20	20	21
Plaza Permits Issued	56	43	41	43	42
Other Event Permits Issued	36	45	47	48	46
Water					
New Connections	178	111	100	100	88
Average Daily Consumption (thousands of gallons)	3,356	3,356	3,692	3,058	2,974
Wastewater					
Average Daily Usage (thousands of gallons)	3,697	3,033	3,581	3,587	3,913

Source: Various City Departments

CITY OF ST. AUGUSTINE, FLORIDA

Capitla Asset Satitstics by Function

LAST FIVE FISCAL YEARS

September 30, 2013

"UNAUDITED"

FUNCTION	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Police					
Stations	1	1	1	1	1
Boats		1	1	1	1
Fire					
Stations	2	2	2	2	2
Vehicles	8	8	8	8	8
Boats	1	1	1	1	1
Highways and Streets					
New Streets (Miles)	0	-	-	-	-
Sanitation					
Collection Trucks	6	7	7	7	7
Water					
New Feet of Water Mains Added	15,739	6,073	5,593	6,020	17,844
Fire hydrants	1,034	1,051	1,049	1,062	1,072
Maximum Monthly Average Daily Flow (thousands of gallons)	4,119	3,769	3,692	3,601	3,389
Wastewater					
New Feet of Sanitary Sewer Added	35,702	-	-	9,873	-
New Feet of Storm Sewers Added	-	-	-	2,218	3,300
Maximum Monthly Average Daily Flow (thousands of gallons)	9,639	9,030	3,587	5,772	5,724

Source: Various City Departments

Compliance Section

This Section Contains the Following:

**Independent Auditors' Report on Internal Control
Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial
Statements Performed in Accordance with
*Government Auditing Standards***

**Independent Auditors' Report on Compliance for the
Major Federal Programs and on Internal Control
Over Compliance Required by OMB Circular A-133**

Schedule of Findings and Questioned Costs

Management Letter

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STEVEN D. RAWLINS, CPA
GARY M. HUGGETT, CPA
JEFFREY M. JACOBS, CPA

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENTAL AUDITING STANDARDS**

Honorable Mayor and Members of the City Commission
Mr. John Reagan, City Manager
City of St. Augustine, Florida
St. Augustine, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States the financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of St. Augustine, Florida (the City) as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 28, 2014.

Internal Control Over Financial Reporting:

In planning and performing our audit, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify and deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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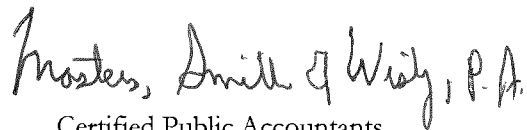
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Compliance and Other Matters:

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Purpose of this Report:

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountants
Jacksonville, Florida

March 28, 2014



STEVEN D. RAWLINS, CPA
GARY M. HUGGETT, CPA
JEFFREY M. JACOBS, CPA

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
THE MAJOR FEDERAL PROGRAMS AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Honorable Mayor And Members of the City Commission
Mr. John Regan, City Manager
City of St. Augustine, Florida
St. Augustine, Florida

Report on Compliance for Each Major Federal Program

We have audited the City of St. Augustine, Florida's (the City's) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2013. The City's major programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on the compliance for the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards, and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the City's compliance with those requirements.

Opinion on the Major Federal Programs

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended September 30, 2013.

Internal Control over Compliance:

The management of the City is responsible for establishing and maintaining effective internal control over the type of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance for the major federal programs and to test and report on internal control over

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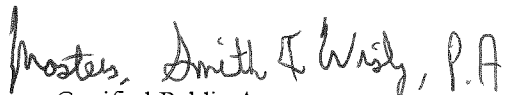
Mr. John Regan, City Manager
City of St. Augustine, Florida
St. Augustine, Florida
Page 2

compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in an internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


Certified Public Accountants
Jacksonville, Florida

March 28, 2014

CITY OF ST. AUGUSTINE, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended September 30, 2013

Financial Statements

Type of Auditors' Report	Unqualified
Internal Control Over Financial Reporting:	
Material weakness identified?	No
Reportable conditions identified not considered to be material weakness?	None reported
Noncompliance material to financial statements noted?	No

Federal Programs and State Projects:

Internal Control Over Major Programs:	
Material weaknesses identified?	No
Reportable condition identified not considered to be material weakness?	None reported
Type of auditors' report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section .510(a) of Circular A-133	No

Identification of major programs:

Federal Program

CFDA No.

Flood Mitigation Assistance	97.029
Community Block Grants	14.228

State Project

CSFA No.

None	N/A
------	-----

Dollar threshold used to distinguish Type A and Type B programs

Federal	State
\$ 300,000	N/A

Auditee qualified as low-risk auditee pursuant to OMB Circular A-133

Yes

(continued)

CITY OF ST. AUGUSTINE, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended September 30, 2013

(continued)

Financial Statement Findings:

No matters required to be reported.

Major Federal Programs and State Projects Findings and Questioned Costs:

No matters required to be reported.

Other Issues

A corrective Action Plan is not required because there were no findings required to be reported under the Federal Single Audit Act.

MANAGEMENT LETTER

Honorable Mayor and Members and Members of the City Commission
Mr. John Regan, City Manager
City of St. Augustine, Florida
St. Augustine, Florida

We have audited the financial statements of the City of St. Augustine, Florida (the City) as of and for the year ended September 30, 2013, and have issued our report thereon dated March 28, 2014.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. We have issued our independent auditors' report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*, independent auditors' report on compliance for the major federal programs and on internal control over compliance as required by OMB Circular A-133, and schedule of findings and questioned costs. Disclosures in those reports and schedule, which are dated March 28, 2014, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, *Rules of the Auditor General*, which governs the conduct of local governmental entity audits performed in the state of Florida. This letter includes the following information, which is not included in the aforementioned auditors' reports or schedules.

- Section 10.554(1)(i)1, *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial report. Finding 11-02 (made in 2011 and again in 2012) in which we recommended the City posts its Pension Plans activity to the general ledger was not fully implemented in the current year.
- Section 10.554(1)(i)2, *Rules of the Auditor General*, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined the City complied with Section 218.415, Florida Statutes.

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- Section 10.554(1)(i)3, *Rules of the Auditor General*, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we had the following findings and recommendations:

Finding and Recommendation: Finding 2013-01

The City does not currently recognize an asset or liability for retainage due on construction contracts. As a result, an audit entry for \$582,835 was needed at year end to increase construction in progress and accounts payable in the Stormwater Drainage Fund. We recommend the City recognize retainage on construction contracts as the work has been performed and the liability incurred and will be billed upon contract completion.

City's Response:

The City agrees with the above and will make every effort to recognize retainage on construction contracts in the future.

Finding and Recommendation: Finding 2013-02

The City had a contra-asset budget account of \$766,500 that appeared on its general ledger at year end that caused the general funds fund balance to be misstated by this amount. An audit journal entry was needed at year end to zero out the contra-asset budget account and balance the general funds fund balance to its correct amount. We recommend the City review all general ledger asset and liability accounts prior to closing to ensure they have accounting validity.

City's Response:

The City acknowledges the above and feels this was a unique occurrence that had never happened before and believes in all probability won't happen again. However, the City will review all asset and liability accounts prior to year end closing to ensure of this.

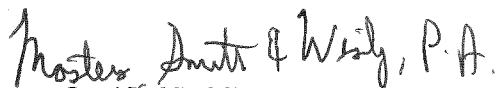
- Section 10.554(1)(i)4, *Rules of the Auditor General*, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

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- Section 10.554(1)(i)5, *Rules of the Auditor General* requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. This information is disclosed in the notes to the financial statements.
- Section 10.554(1)(i)6(a), *Rules of the Auditor General*, requires a statement to be included as to whether or not the local government entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions met. In connection with our audit, we determined the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Section 10.554(1)(i)6(b), *Rules of the Auditor General*, requires that we determine whether the annual financial report for the City for the fiscal year ended September 30, 2011, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2013. In connection with our audit, we determined that these two reports were in agreement.
- Pursuant to Sections 10.554(1)(i)6(c) and 10.556(7), *Rules of the Auditor General*, we applied financial condition assessment procedures. It is management's responsibility to monitor the City's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

This letter is intended solely for the information and use of the Mayor and City Commission members, management, the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, and federal granting agencies and pass through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We wish to take this opportunity to thank you and your staff for the cooperation and courtesies extended to us during our audit. Please let us know if you have any questions or comments concerning this letter, our accompanying reports, or other matters.


Certified Public Accountants
Jacksonville, Florida

March 28, 2014

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